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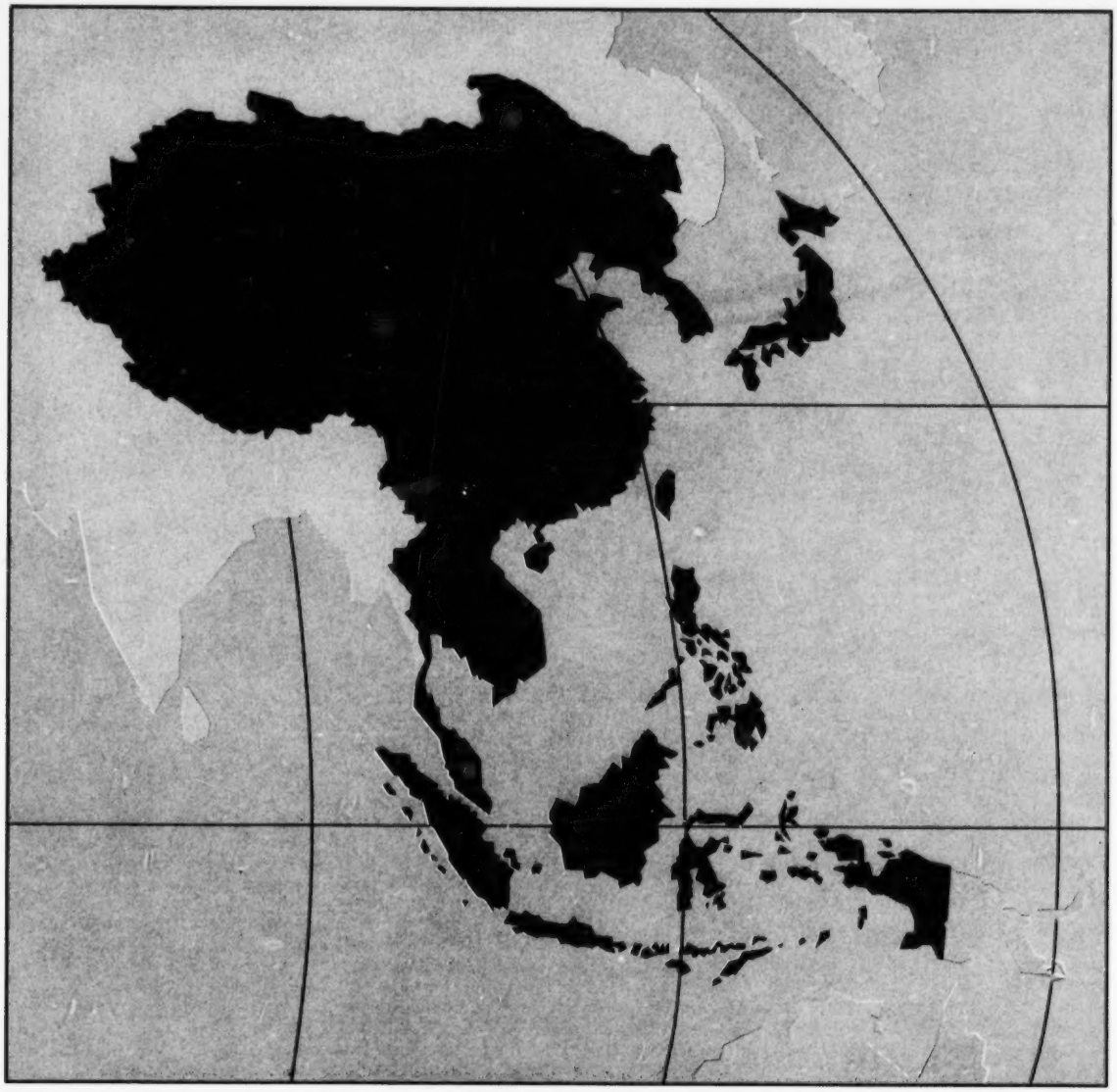

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***Features:*

— Sales of Imported Autos Rapidly Expanding in Japan
— Japanese Banks Making Inroads Into China
— ROK Moving 'Full Scale' Into Next-Generation Displays
— Vietcombank Branching Out, Expanding Services

29 June 1994
Vol 3, No 13
FBPSP 94-013

FBIS East Asia Group • (703) 733-6090

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29 June 1994

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JAPAN

Auto Industry

FEATURE: Japanese Sales of Imported Autos Rapidly Expanding

After reaching record levels in FY93, sales of imported autos in Japan are expected to reach new highs in 1994. According to media and industry reports, sales of imported autos have surged during the first five months of 1994. Market share for imported autos has also increased due to the appreciation of the yen and a drop in sales of domestically-produced autos.

Sales of Imported Autos Reaching 'Record Levels'

According to the 20 June SANKEI SHIMBUN, sales of imported autos reached "record levels" in FY93, totaling 217,633 units. Regarding 1994, Nakahide Inayama, president of Yanase & Co., the largest auto import dealer in Japan, stated that sales of imported autos are expanding "unbelievably" and should surpass the levels reached in FY93. Masaji Gumizawa, vice chairman of the Japan Automobile Importers' Association, believes that import sales will gain further momentum and could top 300,000 units by yearend.

According to the following chart, for the first five months of 1994, sales of imported passenger cars, trucks, and buses totaled 108,239 units, a 39.62 percent increase over the same period in 1993. In May alone, import sales totaled 21,579 units, more than a 48 percent rise over 1993 and the seventh consecutive year-on-year increase. The following charts are derived from the March 1994 JIDOSHA TOKEI GEPPO [Monthly Automobile Statistics Report] published by the Japan Automobile Manufacturers Association. March, April, and May 1994 figures are from the 8 April, 11 May, 7 June 1994 NIKKEI SANGYO SHIMBUN, respectively.

	1993 Sales	1994 Sales	Percent Increase
Jan	9,088	12,156	33.76
Feb	14,117	17,812	26.17
Mar	23,051	32,440	40.73
Apr	1 6,729	24,254	44.97
May	14,540	21,579	48.41
Total:	77,525	108,241	39.62

Import Market Share on the Rise

The 4 June SHUKAN DAIYAMONDO reported that sales of imported autos are increasing, while sales of domestically-produced autos are falling. Consequently, the market share for imported autos is continuing to rise. On a calendar year basis, market share of imported autos has risen from 2.88 percent in 1990 to 3.12 percent for 1993. For the first five months of 1994, the market share for imports has risen to 4.32 percent.

	Total Sales	Import Sales	Market Share
1990	7,777,493	223,923	2.88
1991	7,524,759	199,922	2.66
1992	6,959,073	184,615	2.65
1993	6,467,279	201,481	3.12
1994			
Jan	357,674	12,156	3.40
Feb	519,253	17,812	3.43
Mar	679,170	32,440	4.78
Apr	502,195	24,254	4.83
May	446,703	21,579	4.83
1994 Total:	2,504,995	108,241	4.32

German Autos Maintain Highest Sales

According to the 20 June SANKEI SHIMBUN, demand for imported autos is growing because the appreciation of the yen has led to lower prices, which are "meeting the needs of consumers." Foreign automakers are using low prices as well as improved quality as "weapons" to sell their cars, the paper said. As the following chart shows, Germany remained the largest seller of imported passenger cars in Japan for 1993, even though sales of German cars have fallen by nearly 29 percent since 1990. SANKEI stated that much of the fall was due to the fact that Yanase & Co. stopped handling Volkswagen and Audi cars in January 1993. For the first five months of 1994, however, VW/Audi has sold 13,486 autos, nearly a 50 percent increase over the same period last year.

Passenger Car Sales:	1990	1991	1992	1993
Germany Total	**137,442**	**119,048**	**104,680**	**97,684**
Mercedes Benz	38,844	34,187	29,605	27,913
BMW	36,527	33,798	28,532	25,790
VW/Audi	53,461	44,562	42,082	24,878
Opel (GM)	4,021	2,725	1,371	17,042
U.S. Total	**28,602**	**30,128**	**37,085**	**54,493**
Honda USA	7,534	14,302	19,835	26,880
General Motors	8,513	9,261	9,089	8,525
Toyota USA	2,109	862	2,363	7,955
Chrysler	1,432	1,491	1,602	5,699
Ford Motor	6,030	2,959	3,402	5,111
UK Total	**19,653**	**17,130**	**14,914**	**17,498**
Sweden Total	**13,704**	**12,363**	**10,494**	**13,116**
France Total	**14,018**	**10,854**	**7,906**	**5,840**
Italy Total	**5,933**	**5,754**	**4,573**	**4,565**

U.S. Automakers Increase Sales, Expect Higher Growth

Between 1990 and 1993, sales of U.S.-made autos have increased by more than 90 percent. The best selling U.S. import, however, is made by a Japanese subsidiary firm, Honda USA. According to the evening edition of the 17 June NIHON KEIZAI SHIMBUN, Honda USA became the largest automobile exporter overall from the United States during the first quarter of 1994, having exported 24,877 autos between January and March, mostly to Japan.

Nevertheless, sales of passenger cars from the U.S. "Big Three" automobile manufacturers have also increased greatly over the first five months of 1994. According to the following chart, General Motors has increased sales by 11.36 percent, Ford by 113 percent, and Chrysler by more than 300 percent over 1993 levels.

	General Motors		**Ford Motor**		**Chrysler**	
	1993	1994	1993	1994	1993	1994
Jan	414	529	158	465	40	65 9
Feb	589	712	419	714	156	1,093
Mar	924	875	573	1,100	330	1,608
Apr	607	687	441	921	378	1,273
May	529	608	311	847	501	1,003
Total:	**3063**	**3411**	**1902**	**4047**	**1405**	**5636**

General Motors sold 8,525 vehicles in 1993, but this does not include the 17,042 autos sold under the Opel nameplate, which are from General Motor's European subsidiary. According to the 20 June NIKKEI WEEKLY, General Motors hopes to increase sales to 100,000 units by the year 2000. Ford sold 5,111 vehicles in 1993, but the NIKKEI WEEKLY reported that a great majority of those sold were actually produced by Ford's Japanese partner, Mazda Motor Corp. Nevertheless, Ford hopes that sales of its new Mustang, for example, will increase the ratio of imported vehicles to over 50 percent this year. In addition, the 10 June NIHON KEIZAI SHIMBUN reported that Ford plans to import three models with right-hand side steering from Europe. Consequently, the company hopes to expand the number of sales outlets from 288 to 700 and to increase annual sales to 200,000 units by the year 2000. Chrysler sold 5,699 vehicles in 1993, and sales are robust due to the success of its right-hand side steering Jeep Cherokee, the NIKKEI WEEKLY stated. The firm expects to sell over 13,000 vehicles this year, including the Vision and Grand Cherokee.

Economic Trends

Public Investment Estimated To Reach 510 Trillion Yen by 2000

According to the 15 June NIHON KEIZAI SHIMBUN (NIKKEI), a study shows that the amount of Japan's public investment will "surely" exceed the 430 trillion yen ($4.3 trillion) goal set in the 10-year public investment plan from FY91 to FY2000, which was agreed to by both the U.S. and Japanese Governments during the U.S.-Japan structural impediments initiative talks in June 1990. That goal takes inflation into consideration and includes machinery investment and land purchases as well as actual construction costs.

According to the article, the Ministry of Construction's (MOC) Committee on Medium- and Long-term Estimates of Construction Investment has released a study which predicts that total public investment in construction--actual construction costs plus machinery investment and land purchases--will reach 510 trillion yen ($5.1 trillion) between FY91 and FY2000. The study's calculations assume that between FY93 and FY2000 construction investment will increase only enough to keep pace with inflation.

According to NIKKEI, the study noted that construction investment for FY93 is estimated at 31.8 trillion yen ($318 billion), a 4 percent "real"--i.e., above the inflation rate--increase from FY92. If the amount of construction investment continues to increase at a "real" annual rate of 4 percent every year from FY93 as the base year, it will reach 350 trillion yen ($3.5 trillion) by FY2000. Consequently, total public investment in construction from FY91 would reach 560 trillion yen ($5.6 trillion) by FY2000.

NIKKEI reported that the study also included another scenario that assumes that there will be no supplementary budget in FY94. Based on an estimate of construction investment of 28 trillion yen ($280 billion) for FY94, instead of the estimated 31.8 trillion yen ($318 billion) figure for FY93, and an annual growth rate of 4 percent, the study predicted that construction investment will reach 310 trillion yen ($3.1 trillion) by FY2000 and total public investment will be 510 trillion yen ($5.1 trillion). Explaining the reason for the lower base figure, the study noted that in FY93 construction investment increased greatly thanks to three economic stimulus packages implemented during the year, and therefore "it would be difficult to maintain the same rate of increases in construction investment from such a high base."

The article observed that the MOC study shows Japan will be able to exceed the goal of the 10-year plan "without additional public investment projects." It also noted that the study may affect current debates between the private sector and the Ministry of Finance (MOF) over whether additional public investment projects are needed to expand domestic demand when the government reviews the 10-year plan in late June. The private sector has been asking the government to implement an additional 100 trillion yen ($1 trillion) in public investment, while the MOF remains "hesitant."

MITI Committee Urges Paper Companies To Invest Overseas

The 16 June evening edition of NIHON KEIZAI SHIMBUN reported that the "Committee on Issues Within the Paper and Pulp industry," a private advisory group of the Ministry of International Trade and Industry's (MITI) Consumer Goods Industries Bureau, estimated in a recent report that the Japanese paper and pulp industry will grow an average 2.3 percent annually from the present until 2000 while demand in China and several Southeast Asian countries is expected to grow at an annual rate of 9 percent. The report recommended that Japanese paper companies actively advance into Asia in order to compete on the international market.

The 10 June NIKKAN KOGYO SHIMBUN observed that Japanese companies are being urged to develop overseas markets because it will be difficult for them to boost domestic facilities in current conditions where the continuing high yen is pressuring companies to import rather than produce domestically. Domestic demand in the Japanese paper industry has decreased for two consecutive years since 1992 because of the extended recession, and there is a surplus supply of 5 million tons because Japanese companies invested heavily to boost their domestic facilities during boom economic times. The report projected that domestic demand in 2000 would equal about 32.9 million tons, which is nearly equal to current production capacity

of 33.1 million tons. Paper products, which include newsprint and other printing paper, will grow at an annual rate of 2.4 percent to 19 million tons, and paperboard would grow at an annual rate of 2.1 percent to 13 million tons.

According to the 16 June ASAHI SHIMBUN, the report also mentioned specific measures that Japanese paper manufacturers should take in order to overcome the severe conditions predicted for the future. The report stated that it was essential for Japanese manufacturers to shift away from achieving market share supremacy and that they should import foreign products instead of making products domestically which are not price competitive. Manufacturers should also cut costs for quality control by standardizing quality control systems and link up with foreign capital resources to cut costs for procuring raw materials.

The report also discussed environmental issues facing the Japanese paper industry, mainly recycling efforts, the 17 June NIKKEI SANGYO SHIMBUN noted. The report mentioned the "recycle 55 plan," which aims to recycle and reuse 55 percent of all paper by March 1995, and raised the issue of drafting a "post 55 plan." It also stressed that consumers need to have a progressive attitude toward recycling paper and that regional governments should create measures for recycling.

Environmental Issues

Eco-Business Market Valued at $128 Billion in 2000

On 16 June, the Environment Agency reported the results of a study conducted by the Sanwa Research Institute Corp. (SRIC) to calculate the future scope of the eco-business market, which includes environmental products and services. The SRIC established the base value of the eco-business market at 5.96 trillion ($59.6 billion) for 1990 and projected that the market would grow by 8 percent annually from 1990 to 2000 and by 7.8 percent annually between 2000 and 2010. According to the SRIC's calculations, the eco-business market will be valued at 12.8 trillion yen ($128 billion) in 2000 and 26.2 trillion yen ($262 billion) in 2010.

The SRIC identified four groups of high-growth environmental products and services and drew up estimates for the future markets of each group. The four groups include: 1) environment-friendly equipment and pollution prevention equipment; 2) environment-friendly products, such as solar power generating systems, household energy conservation devices, and low-emission vehicles; 3) services dedicated to protecting the environment, such as waste treatment and environmental impact assessment services; and 4) businesses which maintain the public infrastructure, such as those which build transportation systems and energy-conserving buildings.

According to the SRIC, services concerned with protecting the environment will be the largest growing industry. The markets for pollution prevention equipment, solar power generating systems, and household energy conservation devices will expand to exceed 3 trillion yen ($30 billion) each and stimulate the semiconductor, electronics, gas, and petroleum industries. The electric vehicle market, which is projected to achieve a value of 1.8 trillion yen ($18 billion), will also have a "ripple effect" on the electronics, rubber, and resin industries. (Tokyo NIKKEI SANGYO SHIMBUN 17 Jun 94 p 2)

FEATURE: Japanese Banks' Inroads in China

Japan's largest banks have established substantial operations in China, and now regional banks are following in their footsteps, according to press reports. The two major problems facing Japanese banks--the Chinese Government's reluctance to approve offices in Beijing and difficulty in obtaining and using renminbi--remain to be solved, but the Chinese Government has approached the banks for assistance in several areas.

Firmly Established Commercial Banks Increase Lending

The major commercial banks, which have already established a presence in China (see table below), are increasing their lending volume, according to the 24 May NIKKEI KINYU SHIMBUN. They are driven by the increasing demand for funds resulting from economic liberalization and by a sense of "wanting to reclaim their place as leaders in the vast Chinese market." As examples, Dai-Ichi Kangyo Bank's loans in China have doubled in the last two years, Mitsubishi Bank has increased its line of credit at an average rate of 14 percent over the past three years, while Sakura and Fuji banks intend to increase lending by more than 10 percent in FY94.

The following is a list of the offices the 11 major commercial and three long-term credit banks have established in China, according to the 26 May NIKKEI KINYU. [B denotes a branch, which engages in full banking operations such as taking deposits and making loans. RO denotes a representative office, which does not engage in banking operations, but typically gathers information.]

Commercial Banks	Beijing	Shanghai	Guangzhou	Dalian	Shenzhen	Tianjin
Asahi Bank*	RO	RO				
Bank of Tokyo	RO	B	RO	B	B	
Dai-Ichi Kangyo*	RO	B	RO	RO		
Daiwa Bank	RO	B	RO			
Fuji Bank	RO	RO	RO	B	B	
Hokkaido Takushoku	RO		RO		B	
Mitsubishi Bank	RO	B	RO	RO		
Sakura Bank	RO	B	B	RO		RO
Sanwa Bank	RO	B	RO	B	B	RO
Sumitomo Bank	RO	RO	B	RO		
Tokai Bank	RO	RO	RO			
Long-Term Credit Banks						
Long-Term Credit Bank of Japan	RO	RO	RO			
Industrial Bank of Japan	RO	B	RO	B		
Nippon Credit Bank	RO					

*Asahi Bank also has representative offices in Qingdao and Fuzhou, while Dai-Ichi Kangyo has one in Xiamen.

'China Boom' Spreads Among Regional Banks

The 15 April NIHON KEIZAI SHIMBUN (NIKKEI) reported that the "China boom" evident among Japan's major commercial banks is spreading to the regional bank level. Six banks, five of them regional banks, have been tentatively authorized by the Ministry of Finance (MOF) to establish overseas offices in 1994. Five of the offices will be in China and one in Hong Kong. Sumitomo Trust Bank and Hokuriku, Iyo, and Shinwa Banks have been authorized to establish representative offices in Shanghai, while Fukuoka City Bank has been authorized to establish offices in Dalian and Aomori Bank has gotten permission to set up offices in Hong Kong. Two other regional banks, Juroku Bank and Nishi-Nippon Bank, have already established offices in Shanghai, while Yamaguchi Bank has an office in Dalian.

In what is reportedly a rare move for a medium-sized regional bank, the Bank of Nagoya has established "cooperative business agreements" with seven regional governments in China, according to the 8 March NIKKEI KINYU. The two most recent agreements were concluded with the city governments of Changzhou and Kunshan. Cities with which previous agreements were made include Nantong and Suzhou. Under the agreements, the Bank of Nagoya introduces its customers seeking joint venture projects and technology exchange in China to the city governments. The bank deliberately seeks agreements in the more remote areas of China where it can negotiate directly with the leaders of the regions. It has been building this network of cooperative business agreements since 1985, NIKKEI KINYU reported.

Even credit associations are seeking business in China, according to the 25 April NIKKEI KINYU. The National Federation of Credit Associations has received informal authorization from the MOF to establish an office in Hong Kong in October and plans to set up representative offices in Shanghai and Dalian to assist Japanese companies entering the China market. With the new offices, the association expects that individual credit associations will be doing business with 530 Japanese businesses operating in China and Hong Kong in 1994.

Key Issues Are Beijing Branches, Acquiring Renminbi

So far no bank has a branch in Beijing, and upgrading representative offices to branches in the capital city is the "linchpin" of their business strategies in China, according to the 26 May NIKKEI KINYU. Building good connections to the central government through branches in Beijing is the key to penetrating the interior regions, the paper asserted. To this end five banks--Sumitomo, Sanwa, Industrial Bank of Japan, Bank of Tokyo, and Mitsubishi--are waging a "public relations war" to be the first bank authorized to upgrade their Beijing representative offices, according to the 2 March NIKKEI KINYU. The Bank of Tokyo and Mitsubishi Bank made direct personal appeals to the mayor of Beijing in February for the upgrade, while Sumitomo Bank, considered the most likely candidate for a full branch, held a three-day seminar in mid-March for the benefit of Chinese banks, which was "highly praised" by Chinese authorities, according to the 8 April NIKKEI KINYU.

The Chinese Government has proposed that the banks form "joint-venture banks" with Chinese banks in conjunction with their requests to establish Beijing branches, according to NIKKEI KINYU. China is reportedly seeking a transfer of the financing and supervisory know-how of Japanese banks to the Chinese side through the "joint-venture banks," but the Japanese are reportedly ambivalent. However, the article observed they can not afford to ignore the Chinese authorities' requests. Competition from U.S. and European banks is leading the Japanese banks to gradually accept the government's proposal.

Another key issue facing banks is the difficulty of obtaining local Chinese currency, renminbi, the 26 May NIKKEI KINYU reported. Japanese banks cannot satisfy the large-scale funding Japanese companies require to build factories because foreign banks are prohibited from dealing in the local currency directly. Currently Japanese banks can meet small-scale needs for funds by introducing a Japanese company to a local Chinese bank, where the Japanese company can open an account and withdraw renminbi. Occasionally a Japanese bank will guarantee a renminbi loan for a Japanese company. But on the whole it is difficult to obtain renminbi, according to the 26 May NIKKEI KINYU, and authorization to use the currency could be "a matter of life or death" for Japanese banks in China, according to the 8 March NIKKEI KINYU.

The MOF has made a formal appeal to the Chinese authorities to lift the ban on the use of renminbi, while executives from Industrial Bank of Japan, Mitsubishi, Sanwa, and Sakura and other banks have made informal appeals, according to the 23 May NIKKEI. Earlier in the year, Japanese banks discussed the issue with the People's Bank of China, according to the 8 March NIKKEI KINYU, and from that discussion understood that they would be allowed to use renminbi on a trial basis for deposit-taking functions. They interpreted this as the first step toward full banking operations, according to NIKKEI KINYU. But the 25 May ASAHI SHIMBUN reported that the People's Bank of China had not yet completed its revision of the rules governing foreign banks' use of renminbi and that "there was no possibility of it doing so in the near future."

Bank Support Networks Intended To Stimulate Direct Investment

In an attempt to assist small-to-medium-sized corporations entering the China market, Sanwa Bank conducted a series of seminars in "caravan" style, traveling throughout Japan, visiting over 100 branches and engaging 2,500 bankers, according to the 26 May NIKKEI KINYU. The "caravan" style seminar is designed to expand Sanwa's support services to its branch customers seeking to do business in China. The bank has also increased the number of China specialists working in Japan to provide overall business support to the "Sanwa Bank Group" in China, according to the 11 March NIKKEI KINYU.

In a similar move to assist its small-to-medium-sized customers, Mitsubishi Bank will dispatch over 100 branch managers to study economic conditions in China, according to the 26 May NIKKEI KINYU. By the beginning of June 1994 it had already dispatched 43 branch managers to hear the concerns of Japanese companies already operating in China regarding the currency, labor, and legal difficulties of doing business there, according to the 6 June ASAHI.

Meanwhile, Fuji Bank has sent roughly 50 branch managers to Japanese factories in China to research conditions there, according to ASAHI. While visiting factories in Beijing, Dalian, Shanghai, and Shenzhen, the branch managers also held discussions with Chinese authorities about conditions in China. The bank has written a handbook for small-to-medium-sized businesses concerning Asian currencies and financial markets, according to the 1 April NIKKEI KINYU, which is devoted primarily to explaining China's newly unified exchange rate system.

Dai-Ichi Kangyo Bank has increased personnel in its "invest in China" group, according to the 3 June NISHI NIHON SHIMBUN, and in June for the first time will send branch managers to observe conditions in China, with a second delegation being planned for the fall.

Nippon Credit Bank, one of the three long-term credit banks, held a seminar in June teaching regional financial institutions how to advise corporations on entering the China market, according to the 16 June NIKKEI KINYU. Financial institutions with which Nippon Credit does

business have been unable to respond adequately to companies seeking advice on the business climate in China and the seminar was intended to provide a stronger advisory network for them.

The Bank of Saga, a medium-ranked regional bank, has created a China trade and investment research group with 80 corporate members. The research group will hold "invest in China" seminars once a month until October 1994, according to the 7 June NIKKEI KINYU.

Chinese Organizations Request Assistance

The Shanghai Bankers Association, which has 37 members, proposed a business tie-in with the Osaka Bankers Association during a visit to Japan in May, according to the 7 June ASAHI. This would reportedly be the first tie-in between bankers associations in Japan and China, the paper observed. The tie-in would involve exchanging researchers and information on financing conditions within the two countries and conducting investment seminars. While the Osaka Bankers Association is currently considering the proposed tie-in, the 7 June MAINICHI SHIMBUN reported that Osaka has indicated that it will cooperate with the Shanghai association, and according to ASAHI expects to receive a formal proposal during the summer of 1994. A final decision on the details of the tie-in is expected by the end of the year at the earliest.

Finally, the Government of China is requesting the assistance of Japanese banks in modernizing its online banking system, according to the 24 May NIKKEI KINYU. It is requesting assistance in creating an "online data management system" that links banks with trade, tariff, and foreign currency exchange authorities there. In addition, the government is seeking assistance in building a network that would allow the use of credit and bank cash cards throughout China. Requests for assistance were made informally through the Japanese banks' offices in China and were more formally voiced by a representative of the state-run China National Electronics Import and Export Corporation during a recent visit to Japan. The data management system is expected to be completed within 1994, while the cash and credit card network will take the next eight to ten years to complete. For the time being, Japanese banks are using know-how from having developed their own payments and data management systems in advising the Chinese on the modernization scheme.

FEATURE: FY93 Financial Statements of Life Insurers Reported

In FY93, Japanese life insurers earned less interest and dividend income than in FY92, reflecting the "low interest era," and sales of individual insurance policies declined due to a fall in personal income, according to press reports. All major life insurers recorded "unrealized profits" of shares they held as "special profits" to improve their balance sheets, and some actually sold shares and real estate to raise money. Some mid-ranked insurers are having financial problems, which is expected to accelerate reorganization of the life insurance industry.

The 10 June ASAHI SHIMBUN reported that based on the FY93 financial statements of life insurers released on 9 June, some of the mid-ranked life insurers are having financial problems. For example, Toho Life recorded a recurring loss for the first time in the postwar period and Chiyoda Life reported a large number of nonperforming assets. Mid-ranked life insurers tried to compete with major life insurers by offering high yield, "saving-type" insurance policies and by extending loans to real estate businesses during the bubble economy. After the bubble burst, however, ASAHI noted, they had to pay their "dues." ASAHI commented that the financial

difficulties of mid-ranked insurers will probably accelerate reorganization of the life insurance industry through mergers and acquisitions.

Revenues Declined

Japan's eight largest life insurers collected approximately 22.3 trillion yen ($223 billion) from sales of insurance policies in FY93, a 2.3 percent increase from FY92, according to the 10 June NIHON KEIZAI SHIMBUN (NIKKEI). While sales of individual "annuity-type" and group insurance policies increased greatly, sales of individual life insurance policies, the companies' main product, remained sluggish. Reasons for the low sales included a decline in personal income due to the prolonged economic slump and an increase in premium rates starting in April 1993, according to the 10 June NIKKEI KINYU SHIMBUN. The paper concluded that it will be "tough" for life insurers to increase sales of their policies in the future. Moreover, Japan's life insurance market is unlikely to grow rapidly, since about 90 percent of Japanese households already have some kind of life insurance coverage.

The 10 June NIKKEI KINYU reported that the total value of individual life insurance policies issued by the eight largest life insurers increased "only" 5.1 percent--less than the 7.5 percent increase in FY92--to 1,170 trillion yen ($11.7 trillion) in FY93. All eight life insurers suffered a drop in their rates of increase in FY93 compared with FY92. Sales by Nippon Life Insurance, Japan's largest life insurer, increased only 3.6 percent, the lowest rate of increase among the eight. By contrast, the total value of sales of individual annuity-type life insurance policies increased 24.1 percent to 55 trillion yen ($550 billion), according to the 10 June ASAHI.

Yield Rates Fell

Reflecting the "low interest era," the eight life insurers earned "modest" dividend and interest income, from 3.36 to 4.25 percent returns on their assets, according to the 10 June NIKKEI KINYU. Although life insurers planned to increase loans to companies as a means of stable long term investment, they could not loan as much as they hoped to because of the lack of demand for funds. The ratio of loans in the total assets dropped to 39.2 percent in FY93 from 40.4 percent in FY92.

The 10 June NIKKEI KINYU reported that in order to avoid pegging assets to low interest rate instruments over the long term, life insurers invested their funds in short term instruments, such as designated money trust funds, cash deposits, and call lending. Most insurers increased their ratios of designated money trust funds to total assets. For example, Daiichi Life and Sumitomo Life increased their ratios from 2.6 percent and 3.9 percent in FY92 to 4.4 percent and 4.9 percent in FY93, respectively. The average ratio of cash deposits and call lending of the eight large insurers increased to 9.0 percent in FY93 from 5.6 percent in FY92. The ratio of deposits and call lending of Nippon Life, in particular, rose from 6.7 percent to 12.1 percent, which contributed to its "low" yield rate of 3.34 percent (4.16 percent in FY92).

To raise their incomes, all eight life insurers recorded "unrealized profits" from shares they held as "special profits," according to the 10 June NIKKEI. Such special profits totaled 544.5 billion yen ($5.45 billion). The paper warned that as life insurers use up unrealized profits, their financial bases will be weakened.

While Nippon Life and Daiichi Life raised most of the money they needed from interest and dividend incomes, Chiyoda Life and Sumitomo Life sold shares to raise approximately 40 percent of their cash needs, according to the 10 June NIKKEI KINYU. Sumitomo Life also sold

real estate worth 76.9 billion yen ($769 million) to meet its cash needs, according to the 10 June ASAHI.

Some Still Have Nonperforming Asset Problems

According to the 10 June NIKKEI, the total outstanding balance of nonperforming assets (loans extended to companies which have gone bankrupt and those on which interest payments have been suspended for more than six months) of the eight largest life insurers was 377.7 billion yen ($3.78 billion), a 6.9 percent decrease from FY92. NIKKEI reported that life insurers actively wrote off nonperforming assets through sales of the loans to the Real Estate Resolution Corporation.

Although the outstanding balance of nonperforming assets declined on the whole, NIKKEI noted that some life insurers still have "serious problems" with nonperforming assets. For example, Chiyoda Life has the largest amount, 197.9 billion yen ($1.98 billion), in nonperforming assets. The paper noted that this amount was "relatively large." Chiyoda Life stated that it would resolve the nonperforming asset problem "within two years." NIKKEI asserted, however, that it would be difficult for Chiyoda Life to do so in two years because of the sluggish real estate market. Another example is Sumitomo Life. Although nonperforming assets held by Sumitomo Life itself total 49.1 billion yen ($491 million), its affiliated nonbank lenders collectively have a "large" amount of nonperforming assets, which required Sumitomo Life to spend a total of 130 billion yen ($1.3 billion) to help its affiliated nonbank lenders in FY93. The paper concluded that it would take three to five years for Sumitomo Life to bail out its affiliated nonbank lenders.

Toho Life Records Loss

According to the 10 June ASAHI, in its FY93 financial statement Toho Life, a mid-ranked life insurer, became the first company in the postwar era to record a recurring loss, 19.8 billion yen ($198 million). The primary cause was the 56.7 billion yen ($567 million) lost from sales of foreign investment trust funds that contained "hidden losses." Although Toho Life sold Japanese stock shares and real estate to realize non-recurring profits, they were not sufficient to make up the losses.

The 10 June ASAHI noted that Toho Life expanded its customer base by offering high yielding, saving-type life insurance policies during the bubble economy. However, it could not make enough profits from domestic investments after the bursting of the bubble. To increase profits, according to the article, Toho Life "heavily" invested funds totalling 190 billion yen ($1.9 billion) in high-return, high-risk foreign investment trust funds during 1991-1992. Due to the recent fall in the U.S. bond market and appreciation of the yen, however, its foreign currency denominated assets declined in value.

In the 10 June ASAHI, Toshiuchi Sakogawa, vice president of Toho Life, explained that the company decided to sell off foreign securities with hidden losses in order to improve its assets, rather than making the FY93 financial statement "look good." He continued that Toho Life also expects the next year to be tough, since the company intends to sell off the remaining portion of its foreign securities with hidden losses in FY94. In addition, Sakogawa said that Toho Life would write off domestic nonperforming or low yielding assets to improve its yield rates. He expects it will take three years to finish write-offs and sell-offs of nonperforming or losing assets. In order to improve its financial condition, Toho Life plans to reduce its workforce by 660 employees, 20 percent of the total, by the end of FY95 through mergers of branches.

Federation of Credit Associations Restructuring, Internationalizing

The National Federation of Credit Associations, the central bank of Japan's more than 400 credit associations, will begin overhauling its organizational structure in June in order to increase international operations and enhance non-member lending, according to the 2 June NIKKEI KINYU SHIMBUN. The Federation rivals mid-ranking commercial banks in terms of funds under management--roughly 13 trillion yen ($130 billion) as of the fiscal year which ended March 1994, according to the 23 May NIKKEI KINYU. It absorbs excess funds of the individual credit associations to invest in negotiable securities (roughly 40 percent), make loans (roughly 30 percent), and to lend in the short-term money market (30 percent). Liberalized interest rates have made its traditional portfolio management emphasizing securities more difficult however, and the overhaul is intended to shift use of money from domestic securities transactions to increased lending, according to the 2 June NIKKEI KINYU. This includes participating in syndicated loans abroad, more direct lending to members of credit associations operating in foreign countries, and increased lending to large, non-member corporations, NIKKEI KINYU reported. As part of the reorganization, the Federation's international "section" will be upgraded to a department and simultaneously separated from the general treasury department, according to the 2 June NIKKEI KINYU.

The Federation currently has four offices overseas, a branch in New York, a representative office and securities subsidiary in London, and a representative office in Singapore, according to the 23 May NIKKEI KINYU. It is seeking to shift its overseas focus to Asia because an increasing number of credit association customers are attempting to enter Asian markets, according to the 25 April NIKKEI KINYU. From a survey it conducted on corporations seeking advice on China, for example, the Federation found that the number of credit association customers operating there doubled over the past three years, with 1993 showing the largest increase in history, according to the 13 April NIHON KEIZAI SHIMBUN. In order to assist these customers, the Federation plans to open a Hong Kong office in October followed by offices in Shanghai and Dalian, according to the 25 April NIKKEI KINYU. The Singapore office, which previously was engaged primarily in research, will begin participating in loan syndication. At home, the 2 June NIKKEI KINYU reported, the new international department will include a "trade and investment consulting" office to provide information on the local economies of China and Vietnam, among other places, and to assist domestic Japanese firms in locating joint venture partners in Asia.

First Japanese To Establish Hedge Fund

Koichi Kawai, formerly the president of Paribas Asset Management Japan, will reportedly be the first Japanese ever to establish a hedge fund, according to the 14 June NIKKEI KINYU SHIMBUN. "Hedge fund" is a general term for an investment fund employing high-yield derivatives, such as financial and commodity futures, swaps and options, according to the 8 June NIKKEI KINYU. The fund will be registered in the Cayman Islands and begin operations in September 1994. Kawai, who has already raised several billions of yen (roughly $20-30 million), is holding a seminar in July to attract investment by Americans. The fund is to be limited to fewer than 100 investors to qualify for exemption from regulation by the U.S. Securities and Exchange Commission.

For the time being, 70 percent of the fund's investment will be in small-scale Japanese stocks traded over the counter while the remainder will be invested in promising Asian and Latin American markets. The Asian portion of the fund's investment strategy will be devised by Kawai, while the Latin American portion will be left to a mid-sized U.S. hedge fund, "Emerging Market Advisors," with which Kawai will form a partnership.

CHINA

Tokyo Gas To Set Up Office in Beijing

Tokyo Gas, Japan's largest gas utility company, will open an office in Beijing on 1 July to gather information on China's domestic energy situation and to make preparations to enter China's rapidly growing city gas business. Tokyo Gas plans to use this new office to strengthen its relationship with Beijing Gas, with which it signed a cooperation and exchange agreement in 1979 to conduct technical exchanges and to train Beijing Gas employees. Tokyo Gas is studying the possibility of sending specialists to China in the fields of pipelines, pipelaying, and safety technologies. The Beijing office will also collect information on China's foreign purchases of gas and track trends in the city gas business throughout China.

Tokyo Gas, which is already developing the city gas business in Malaysia together with Petronas, the Malaysian state-run oil company, is considering a preliminary survey in China to see whether similar business opportunities exist. (Tokyo NIHON KEIZAI SHIMBUN 11 Jun 94 p 10)

Sanwa Denki To Manufacture Color Monitors in Shanghai

Sanwa Denki, Japan's second largest manufacturer of color monitors, will establish a joint venture company in Shanghai to produce color monitors and video game machines. The unnamed joint venture will be capitalized at 220 million yen ($2.2 million) with Sanwa Denki contributing 30 percent; Shanghai Yongxin Shadow Mask Co., a CRT manufacturer, 55 percent; Taiwan Le-hsin Electronics, a video game manufacturer, 8 percent; and Chiahe Electronics, a Taiwanese electronic parts trading company, 7 percent.

Sanwa Denki will provide the technology and 80 million yen ($800,000) worth of production equipment which will be installed at one of Shanghai Yongxin's factories, which is currently idle. The factory will begin production on 20 October and have a maximum monthly production capacity of 100,000 color monitors and 10,000 video game machines. (Tokyo NIHON KEIZAI SHIMBUN 9 Jun 94 p 22)

INDIA

Marubeni, Toshiba To Build Two 250,000kw Generators

An international consortium, including Marubeni, Toshiba, and the Tapur Group, an Indian conglomerate, is planning to construct a power plant in India under a build-operate-transfer arrangement. Total investment for the power plant, which will consist of two 250,000kw coal-fired generators, will be more than $500 million. The consortium has completed a preliminary feasibility study and will begin a full-scale study within the year with the goal of beginning construction in two or three years. The consortium is also considering establishing a joint venture company to build and operate the power plant, which will be located near the city of Nagpur, in central India.

N. K. P. Salve, the Indian minister of power, requested Japanese cooperation in this project while visiting Japan in June 1993. The Japanese agreed to participate "on a private basis as a symbol of Japanese-Indian economic cooperation." (Tokyo NIKKEI SANGYO SHIMBUN 20 Jun 94 p 14)

UZBEKISTAN

Trading Companies Sign Cooperation Agreements With Government

Three of Japan's largest general trading companies, Marubeni Corp., Mitsui & Co., and Mitsubishi Corp., have concluded economic cooperation agreements with the Government of Uzbekistan. The agreements follow the the economic assistance agreements negotiated with international financial institutions, such as the World Bank and European Bank for Reconstruction and Development, as well as the recent commitment by the Japanese Government to extend trade insurance to Uzbekistan.

Only a general outline of the agreement Marubeni concluded with the Uzbek Government has been disclosed. It involves cooperation in ten areas, including extraction and refining of gas and oil, processing of agricultural products, establishing communications networks, building tourism facilities, and airport construction. One project already under way is the construction of a new oil refinery in Bukhara with an annual capacity of 2.5 million tons, which is scheduled to be completed early in 1997. The agreements signed by Mitsubishi and Mitsui are reported to be very similar to that signed by Marubeni.

The trading companies have "high hopes" for Uzbekistan despite the fact that economic reform has just begun there. Many projects they are planning for Uzbekistan are contingent upon financing from the International Monetary Fund (IMF), and they anticipate the IMF will shortly authorize between $60 and $70 million in loans to Uzbekistan. (Tokyo NIKKEI SANGYO SHIMBUN 16 Jun 94 p 2)

VIETNAM

Itochu in Joint Venture To Manufacture Electric Cable

Itochu Corp., one of Japan's largest general trading companies, and a Vietnamese state-owned firm have agreed to form a joint venture company to manufacture electric cable. The Vietnamese partner is "Kiyadeibi," a company based in Ho Chi Minh City that is under the jurisdiction of Vietnam's Ministry of Heavy Industry. Initial investment in the joint venture will be $5 million, with Itochu contributing 10-20 percent and Kiyadeibi the remainder. The two sides are examining whether to use the Vietnamese firm's facilities or build a new plant to manufacture the cable. If their decision is to build a new plant, the necessary funds will be borrowed from banks.

The goal of the two companies is to begin cable production next summer at a level of 4,000 tons annually. Vietnam's current demand for cable is about 2,000 tons, but is expected to increase rapidly. Although Vietnam's 500-km north-south power transmission project has been completed, construction projects are underway to extend transmission lines to Vietnam's major regional cities. In addition, new power generating facilities will be built in Vietnam funded by official development assistance extended by Japan and other Western nations and by World Bank loans, which will require additional transmission cable. If the joint venture is able to reach its 4,000-ton production target, this would be the first time Vietnam has been able to meet domestic demand for cable. (Tokyo NIKKEI SANGYO SHIMBUN 15 Jun 94 p 6)

Tomen, Taiwan Firm Establish Joint Venture Can Production Company

Tomen, a general trading company, together with President Enterprises, a Taiwanese comglomerate, and a Vietnamese state-owned company have formed a joint venture company in Vietnam to manufacture cans to be used in exporting fruits and vegetables. The Vietamese firm, the Fruits and Vegetables Import-Export Corporation, is "under the umbrella" of the Ministry of Agriculture. The Vietnamese Government has high expectations that the joint venture will generate large foreign exchange earnings.

The joint venture firm, "Tobekan Company," will be headquartered in Ho Chi Minh City and will have an initial capital investment of $5 million. President will contribute 50 percent, Tomen 25-30 percent, and the Vietnamese company the remainder. Of the $8 million required to build and equip the new company's plant, about $3 million will be borrowed from banks.

The new company will begin producing cans this summer to support exports of Vietnamese pineapple, "other fruits," and vegetables to Japan, the United States, and Europe. In the first year of operations the company plans to produce 10.5 million cans, increasing to 45 million cans within 3 years and 60 million in 4 years, which will be a level sufficient to meet Vietnam's domestic demand. (Tokyo NIHON KEIZAI SHIMBUN 14 Jun 94 p 5)

Honda To Begin Assembling Motorbikes in Ho Chi Minh City

Honda Motor will begin the assembly production of motorbikes in Vietnam in mid-1995 at a level of 270,000 to 300,000 units per year, according to the 12 June NIHON KEIZAI SHIMBUN (NIKKEI). The motorbikes produced will be 70 to 100-cc displacement "Super Cub" models. Honda has applied to Vietnam's State Commission for Cooperation and Investment for permission. [For a report on Suzuki beginning motorbike production in Vietnam, see the 18 May 1994 Pacific Rim Economic Review, page 12.]

According to the NIKKEI article, Honda, as a rule when setting up overseas operations, prefers to establish 100 percent-owned production subsidiaries. However, in this case Honda will form a joint venture company in which it will hold an 80-90 percent stake. The NIKKEI article did not specify the Vietnamese joint venture partner, or why Honda decided on the joint venture. The highest amount Honda would invest in the project is 10 billion yen ($100 million). An assembly plant will be built in the southern part of Ho Chi Minh City.

At present in Vietnam imported Honda two-wheel vehicles account for "more than 90 percent" of the 2 to 2.2 million two-wheel vehicles. Some 270,000 to 280,000 Honda bikes are imported yearly. Thus, when Honda begins production, it will have a market "monopoly." The company will gradually develop a sales and service network throughout the country.

Fuji Xerox To Begin Marketing Copying Machines

Fuji Xerox, through its Singapore subsidiary, Fuji Xerox Asia-Pacific, has begun selling copying machines in Vietnam through an agreement with the state-owned Vietnam Computer Company 2. Fuji Xerox decided to enter the Vietnamese market now because demand for office equipment has expanded more quickly than anyone imagined. This will be the first time Vietnam Computer has marketed copiers. The company acts as an agent for IBM in selling computers in Vietnam.

Fuji Xerox must catch up with Ricoh, which began selling copiers in Vietnam three years ago through a local sales agent. Canon, another major manufacturer of copiers, has not set up a direct sales system in Vietnam.

Within the Xerox Group, Fuji Xerox's sales area covers the entire Asia-Pacific region with the exception of China. With its entry into Vietnam, Fuji Xerox Asia-Pacific now has a sales network involving ten countries, including Australia, Singapore, South Korea, and Taiwan. (Tokyo NIKKAN KOGYO SHIMBUN 3 Jun 94 p 8)

Firm To Build Large Sewing Factory in Ha Tinh

Hikosen, a privately owned Tokyo firm that makes women's apparel and sundry goods, has received formal approval from the Vietnamese Government's Board of Investments to build a sewing factory in Vietnam. The factory, the company's third overseas plant, will be built in Ha Tinh City, central Vietnam, in early 1995. In the 1980's Hikosen built a sewing plant in Vung Tao, southern Vietnam, and another in the Philippines.

While the scale of the Ha Tinh plant has not yet been decided, it will be a large facility designed not only for Hikosen's production needs but also for use by other Japanese apparel companies on a tenant basis. Hikosen initially plans to employ 400-500 workers, but the entire factory complex "at a minimum will employ 5,000 workers." The factory will have about 50,000 sewing machines, of which Hikosen will use 1,000. Apparel and sewn goods made under Hikosen's label, such as aprons, sweaters, T-shirts, and various types of bags, will be exported to Japan via the nearby port of Vinh. Detailed sewing work will be contracted out to local plants or individuals.

The Vietnamese Government wants to invigorate economic activity in northern Vietnamese cities like Ha Tinh, which lack industries. It wants to develop Ha Tinh as a large sewing industry center and is seeking to expand economic activity through subcontracting and other local operations. (Tokyo NIKKAN KOGYO SHIMBUN 3 Jun 94 p 25)

Machine Tools/Robotics

April MT Orders Down 12.2 Percent, Domestic Orders Drop 20 Percent

A survey conducted by the Japan Machine Tool Builders' Association showed April machine tool (MT) orders dropped 12.2 percent compared to April 1993 to 42.86 billion yen ($428.6 million), according to the 8 June NIKKEI SANGYO SHIMBUN. Domestic orders totaled 24.243 billion yen ($242.43 million), a drop of 20.2 percent. The 8 June NIHON KEIZAI SHIMBUN noted that domestic orders from the auto industry fell 23.5 percent, while those from the general machinery industry fell 22.7 percent.

According to the NIKKEI SANGYO, April exports were up 1.0 percent to 18.563 billion yen ($185.63 million), with exports to the United States, China, and Southeast Asia particularly strong. Exports for the first four months of 1994 were up 6.9 percent from the same period in 1993.

Petroleum/Energy

NKK Wins LNG Tanker Order From Nippon Yusen Subsidiary

NKK, one of the world's five largest steelmakers, has won an order to build a liquefied natural gas (LNG) tanker for Asia LNG Transport, a joint venture of Nippon Yusen and a Malaysian company. The contract for the 18,800 cubic meter LNG tanker, which will incorporate NKK's Technigas Mark II membrane technology, will be valued at 8-9 billion yen ($80-$90 million). Construction is scheduled to begin in September 1995 and the tanker will be delivered in the spring of 1997 to Asia LNG Transport, which will use it to deliver LNG to a project in Sendai City.

NKK reportedly won the order because it had previously built a similar tanker for Seibu Gas, and was willing to denominate the contract in dollars rather than yen. Shipbuilding companies are shifting their attention to LNG tankers for the domestic market because of the high yen and an anticipated shift to the use of natural gas by mid-sized regional gas utility companies. (Tokyo NIKKEI SANGYO SHIMBUN 8 Jun 94 p 12)

Telecommunications/Satellites

Toyota Motor Expected To Acquire Major Share in Teleway Japan, IDO

Teleway Japan and Nippon Idou Tsushin (IDO) announced on 1 June that they will increase their capital by issuing new stock through a third-party allocation scheme. Toyota Motor Corp., which is a major shareholder in both companies, will assume the stock from both companies "which is not spoken for" by other shareholders and is expected to become the "number-one" shareholder of both companies and begin assuming responsibility for managing operations. Both companies will settle the details at their respective shareholders' meetings in late June, and the changes will go into effect in the fall.

Teleway Japan will increase its capital to 49.8 billion yen ($498 million). About 20 shareholding companies are expected to respond to the stock offering, including Toyota, which will increase its percentage share in the company from 6.9 percent to nearly 40 percent. Teleway Japan calculated a 12.5 billion yen ($125 million) loss after final accounting for FY93 and its cumulative losses are close to 43.9 billion yen ($439 million). It expects excess liabilities of 10 billion yen ($100 million) for FY94 and is seeking to turn pretax profits in the black from FY97. (Osaka MAINICHI SHIMBUN 2 Jun 94 p 10)

IDO is increasing its capital to support the 50 billion yen ($500 million) expansion of the Motorola-based cellular telephone network and the conversion to digital systems. Toyota will assume a share of IDO which is three times its current investment and Tokyo Electric Power Co. and Chubu Electric Power Co. are expected to double their investments.

According to figures calculated for FY93, IDO registered profits in the black for a fourth consecutive year. IDO's sales turnover was 17 percent higher than FY92 at 94.8 billion yen ($948 million) and its pretax profits were 20 percent higher at 1.5 billion yen ($15 million). IDO is seeking to increase its sales in FY95 by 20 percent but expects a downturn of 2-3 billion yen ($20-30 million) in pretax profits because it has reduced its basic rates. It also expects an increase in its fixed costs. (Tokyo NIKKEI SANGYO SHIMBUN 2 Jun 94 p 7)

Toyota has been an investor in both companies purely out of an obligation to personal requests from other executives, but it will gain a new responsibility for the companies along with its new investment status. Toyota is designing a full-scale strategy for developing its position in the information communications market within the year and is especially focusing on measures to boost Teleway Japan's operations. (Tokyo ASAHI SHIMBUN 1 Jun 94 p 12)

MPT Limits NTT Participation in Handiphone Market To Nurture Competition

The 16 June NIHON KEZAI SHIMBUN (NIKKEI) reported that the Ministry of Posts and Telecommunications (MPT) decided not to approve Nippon Telegraph and Telephone's (NTT) participation in the market for next-generation personal handiphone communications systems (PHS) as part of NTT's main business operations. The MPT, however, will allow NTT to participate in the market via a separate, independent company because it wants to create an even competition among NTT, existing companies such as Dainidenden, and new entrants to the market.

The MPT felt that NTT's operational base, which it established when it was a public enterprise, would give the company an edge in developing new businesses such as the PHS and, as a result, NTT would have a monopoly in the new market and competing companies could not evolve. One of the MPT's main concerns is that the PHS requires an extensive network of transmitting stations placed at distances from 100 to 500 meters apart. NTT has the advantage because it can place these types of stations atop its 170,000 public telephone booths and on its 12 million telephone poles nationwide. Other companies would have to rent spaces on top of buildings and establish new sites for their transmitting stations and would not be able to compete because of the extra costs.

The decision is part of a measure to restrain expansion of NTT's main operations and will also influence discussions regarding the scheduled MPT review of the company's operational structure in 1995. It may also lead to other measures to restrict NTT participation in the multimedia application software market. (Tokyo NIHON KEIZAI SHIMBUN 16 Jun 94 p 1)

<u>New Common Carriers Will Lead the Handiphone Market</u>

According to another article appearing in the 16 June NIKKEI, recent developments indicate that the new common carrier telephone companies will be the leading force in PHS commercialization efforts even though NTT has also begun similar efforts. There is a strong desire among the new common carriers to use PHS-related business activities as a "trump card" against the giant NTT. This is especially true for the long-distance carriers which pay close to 50 percent of their revenues to NTT for accessing its network and reap limited returns in subscriber revenues because of the limited number of circuits and low capacity. The PHS business is appealing to communications businesses because it has the potential to develop into an alternative to the existing NTT network. If the service area for PHS units expands, there is a high probability that consumers will be switching away from the NTT domestic urban network. (Tokyo NIHON KEIZAI SHIMBUN 16 Jun 94 p 13)

CHINA

Domestic Developments

Ministry of Machine Building Plans To Develop Auto Industry

The Ministry of Machine Building recently formulated a three-stage development plan for the automobile industry. During the first stage from 1994 to 1996, total investment in the auto industry will exceed 46.4 billion yuan, an annual average increase of 36 percent. The state will strive to reduce enterprise production costs and prices for passenger cars. Investment in the spare parts industry will also be increased. During the second stage from 1997 to 2000, annual auto output will be 150,000-240,000 and total investment will exceed 99.2 billion yuan. The major focus of production will be on economical cars. A few automobile enterprise groups will be set up and products will be developed that can compete on the open market. During the third stage from 2000 to 2010, total investment will be 43 billion yuan and the annual increase in auto output will be about 3 million. (Harbin HEILONGJIANG RIBAO 20 May 94 p 7)

State Commissions Formulate Automobile Industry Policy

The State Planning Commission, State Economic and Trade Commission, and the Ministry of Machine-Building Industry recently formulated "Policies on Automobile Industrial Technology." The main points are:

1. The state will support automobile enterprises efforts in establishing their own development and research organizations and forming their own product development capability by absorbing foreign technology. The state will provide funds to enterprise groups to jointly develop large research projects.

2. The state will popularize the use of vehicles that employ electronic and new technology, are fuel efficient, and have low pollution levels. The state will also encourage research and development of new types of fuel and power for vehicles.

3. Automobile enterprises must ensure that their products are advanced. Improvement of current products and development of new products must attain the 1990 international level and technology imports must meet 1990 international levels.

4. Prior to the year 2000, passenger vehicles and pick-up trucks weighing less than 3.15 tons must gradually be converted to use gasoline rated at 90 octane or more. Passenger vehicles weighing less than two tons must use unleaded gas. Passenger vehicles exceeding five tons and pick-up trucks produced after the year 2000 must use diesel fuel.

5. The state will support the establishment of a national-level research, testing, and inspection organization for automobiles and motorcyles that will be responsible for formulating standards, product certification, establishing examination procedures for imports and exports, and related tasks. The state will encourage automobile enterprises to set up joint ventures and technology research and development corporations with foreigners.

6. The state will encourage automobile enterprises to use modern electronic technolgy, software processing equipment, and automated equipment to raise the per capita equipment utilization rate and equipment technology levels. (Shenyang LIAONING JINGJI RIBAO 13 May 94 p 3)

Hainan Company To Exploit Gas Reserves in South China Sea

A large joint-stock company based in Haikou will soon be set up comprising petroleum enterprises from Hainan Island and the mainland to accelerate natural gas exploration in the South China Sea. The gas reserves in this area (estimated at 100 billion cubic meters) are considered to be the largest in the country. The Western Nanhai Sea Company is the leading sponsor with fixed assets of 4 billion renminbi. The Eastern Nanhai Sea Company under the China National Offshore Oil Corporation, the Natural Gas Utilization Company, the China Offshore Petroleum and Natural Gas Sales Company, and the Hainan Trust and Investment Company are also involved. Investments of $1.25 billion have already been made in this area and natural gas is expected to be supplied to Hainan Island and Hong Kong in January 1996. (Beijing ZHONGGUO XINWEN SHE 1324 GMT 20 Jun 94)

MPCC Plans To Be Largest PRC Oil Refinery by Year 2000

Sinopec Maoming Petrochemical Corporation (MPCC) has announced a $2.3 billion development program to turn itself into the largest oil refining and petrochemical complex in China by the year 2000. MPCC is already the biggest oil refiner in China with an annual capacity of 8.5 million tons. The corporation plans to have an annual capacity of 13.5 million tons by 1996 and 17 million tons by the end of the century when it will be the largest oil refining center in Asia. MPCC will build four more oil refineries at a total cost of $574.7 million. Construction of two refineries will start later this year, while the other two will be completed in 1996. Foreign oil firms that are showing interest in cooperating with MPCC include Amoco Corp of the United States, Agip of Italy, and Chia Tai of Thailand. MPCC is also in the process of building a 300,000-ton ethylene plant at a cost of $1.4 billion, financed in part with $723 million in foreign loans. Construction of the plant began in late 1992 and it will produce 800,000 tons of petrochemical products annually from June 1996. Most of its advanced equipment will be imported from the West. Forty percent of the investment belongs to MPCC while the remainder lies with the China International Petrochemcical Corporation. Later this year, MPCC will begin the construction of another depot and two oil wharves in Fangcheng, Guangxi Zhuang Autonomous Region. These facilities are needed because MPCC now supplies oil products to seven provinces and regions in southwest China. (Beijing CHINA DAILY [BUSINESS WEEKLY] 12-18 Jun 94 p 5)

Foreign Trade and Investment

Heilongjiang's Suifenhe Signs Trade Contracts With Russia

A trade delegation from Suifenhe signed three contracts worth $1.15 billion with Russia at the Harbin trade fair on 16 June. These include two barter trade contracts and one contract for processing supplied materials. One barter trade contract concerns importing timber, steel products, chemical fertilizers, and nonferrous metals, and exporting foodstuffs and beverages. The other calls for exporting garments and foodstuffs and importing logs. (Harbin Heilongjiang Radio 0000 GMT 17 Jun 94)

Heilongjiang Firms Signs Joint-Venture Project With Russia

On 20 June, the Heilongjiang International Engineering Technology Cooperation Company and a company in the Zhuhai Special Economic Zone jointly signed a contract with a Russian company to establish an aerial tourist company in Zhuhai. The total investment is $2.06 million. The Chinese side will provide 52 percent. The company will be involved in selling aerial technology, leasing, tourism, advertisement, aerial photography, and aerial surveys. The contracted period is 15 years. (Harbin Heilongjiang Radio 1000 GMT 20 Jun 94)

Heilongjiang Company Signs Barter Trade Contract With Russia

The Heilongjiang International Economic and Trade Company signed a barter trade contract with a trading company of Blagoveshchensk, Russia at the Harbin trade fair on 19 June. Heilongjiang will export instant noodles and canned food to Russia and import chemical fertilizers. The contract is worth $10 million. (Harbin Heilongjiang Radio 1000 GMT 19 Jun 94)

Hong Kong Firm in Joint Venture To Rebuild Guangdong Highways

Hong Kong's Guangzhou Enterprise (Group) and Guangdong's Xinfeng County have signed a contract to jointly invest 110 million yuan to rebuild the Xinfeng sections of National Highway 105 and Provincial Highway 1912. The firms involved are the Guangdong Provincial Xinfeng Highway Development General Company and Xiangjie Limited, which is a wholly owned subsidiary of Guangzhou Enterprise (Group). The two sides have an equal share in the joint venture, which will run for 25 years. Reconstruction of this section of National Highway 105 is expected to be completed by the end 1994 and that of Provincial Highway 1912 by the mid-1995. (Hong Kong TA KUNG PAO 4 Jun 94 p 5)

Guangzhou Wharf Project Being Handled by Hong Kong Firms

According to Kuo Pei-Nan, vice chairman of the board of directors and concurrently general manager of Hong Kong-based Guangzhou Investment, his company and Stanley Ho's Shun Tak Holdings will take the lead in developing Guangzhou's Zhoutouzui Wharf. Each will have 35 percent stake in the project and their combined investment in the first phase is 500 to 600 million yuan. The wharf will be redeveloped into a complex including an international pier, a commercial and entertainment center, and residential buildings. Kuo also said that Guangzhou Investment has also signed a letter of intent to invest 200 million yuan in the Nanfang Cement Plant on the outskirts of Guangzhou to increase the plant's annual output from 160,000 tons to 400,000 tons. (Hong Kong TA KUNG PAO 4 Jun 94 p 14)

Hong Kong Firm To Develop Guangzhou Housing Project

Huang Kaiwen, director of the Guangzhou City Land and Property Administrative Bureau, recently disclosed that Hong Kong's Cheung Kong (Holdings) Ltd., New World Development, and Guangzhou Investment signed a letter of intent on a "Home Ownership Plan" with the Guangzhou City Government last October. Low-cost residential housing occupying 5 million square meters of land and with a total floor space of 7.5 million square meters will be built in the Baiyun District of northern Guangzhou. Total investment will reach HK $20 billion. Cheung Kong has 35 percent stake in the project, as does New World Development, while Guangzhou Investment has a 20 percent stake and the Guangzhou City Government 10 percent. (Hong Kong TA KUNG PAO 7 Jun 94 p 5)

Hong Kong Firm Invests in Fuzhou Housing Project

According to Li Yichun, director of the Fuzhou Land Management Bureau of Fujian's Fuzhou City, the early stage of a project to protect and transform "three lanes and seven alleys" in Fuzhou has been completed. The demolition of houses on more than 50 mu of land has been completed, prospecting work is under way, and pile-driving and construction will soon begin. Hong Kong's Cheung Kong (Holdings) Ltd. and the Fuhui Ornament Company will invest a total of 3.5 billion yuan. The project covers a total of 661 mu of land, is divided into six phases, and is expected to be completed in eight to 12 years. By the end of April this year, Cheung Kong had invested more than 400 million yuan in the project. According to a senior manager with the joint venture, in the first stage, four blocks with over 1,000 residential units and two blocks of 16-story office buildings are scheduled for sale in six months. The whole project includes the construction of 29 blocks of high-rise residential buildings, six blocks of high-class office buildings and apartments, five large commercial and trade centers, entertainment centers, and social clubs. (Hong Kong ZHONGGUO TONGXUN SHE 0920 GMT 13 Jun 94)

Bavarian Bank Sets Up Business Center in Shanghai

The German state of Bavaria is teaming up with its bank Bayerische Landesbank to set up a business center in Shanghai to help German companies establish joint ventures. The center, which opens next month, will assist medium-sized companies from all over Germany despite the fact that its major backers are Bavarian. Bayerische Landesbank and Deutsche Bank will play an increasingly active role in funding their compatriots and others in mainland deals. General manager Volker Stoeckel said that Bayerische Landesbank played a part in building 10 power plants in southern China, underwriting smaller diesel-fueled stations costing $30 to $50 million, of which the bank usually invests $10 million itself. (Hong Kong EASTERN EXPRESS 22 Jun 94 p 34)

Netherlands' Largest Bank Opens Shanghai Branch

ABN AMRO Bank, the largest bank in the Netherlands, expanded its presence in China by opening a branch in Shanghai on 8 June. Bank vice chairman Michael Drabbe said that the Shanghai branch will form the base for ABN AMRO to build a network in China. The bank already has a representative office in Beijing and is applying to open a similar office in Guangzhou. Branches are planned for other commercial and financial centers in China. The Shanghai branch has been in trial operation since last November. It will concentrate on corporate finance, trade finance, loans, deposits, and international payments. It has already arranged and been lead manager for three large syndicated loans to China, including a $50-million loan for the Waigaoqiao Power Plant in Shanghai's Pudong New Area and a $36-million loan for the West Pacific Petrochemical Company in Dalian. "We do not want to be a large bank in China overnight," Drabbe said, "but we are here to stay." With a network of over 1,800 branches in more than 60 countries, ABN AMRO has one of the most extensive banking networks in the world. Its total assets place it among the seven largest banks in Europe and the 17th largest in the world. (Beijing CHINA DAILY [BUSINESS WEEKLY] 12-18 Jun 94 p 3)

Taiwan Group Signs Pharmaceutical Agreement With Beijing Firm

Taiwan's Taifeng Group has signed an agreement with Beijing's Tongrentang to invest 300 million yuan in setting up the Beijing Tongrentang Taifeng Pharmaceutical Company Limited simultaneously on both sides of the strait. The factory in Taiwan will be set up in Zhanghua. Taiwan's Taifeng Group has become the sole agent for Beijing Tongrentang, which has been

established for over 300 years, and may use its trademark for 20 years. Although Beijing Tongrentang did not provide any capital for the joint venture, it holds 25 percent of the stake. It can share in the distribution of dividends but does not have to take responsibility for losses or for the distribution of fixed assets after termination of the venture. (Hong Kong ZHONGGUO TONGXUN SHE 0832 GMT 16 Jun 94)

Guangdong's Huizhou Builds Joint Venture Container Production Base

Huizhou laid the foundation stone for its first Sino-foreign container production base, lifting the curtain on construction of the Wuyangfu Industrial City, which covers an area of 3 square km and involves a total investment of 5 billion yuan. There will be 25 projects in the first phase, including the container company, and a motorcycle plant with an output value of 4 billion yuan and an expected 2 billion yuan in profits and taxes a year. When the whole city is completed, it is estimated that output value will exceed 8 billion yuan and profits and taxes, 5 billion yuan. The container company will import advanced equipment from the ROK, the United States, Japan, and Germany, and produce international standard twenty foot equivalent units. The ROK will be responsible for exporting and marketing 100 percent of the goods during the first 5 years. Total investment in the project, covering 110,000 square meters, amounts to $20 million. Once operational, the company will be able to produce 24,000 containers, with a total output value of $60 million and a net profit of $6 million. It is estimated that total investment can be recovered within three and a half years. The project is expected to go into operation on 19 December. (Beijing ZHONGGUO XINWEN SHE 1032 GMT 12 Jun 94)

Thai Group Shows Interest in Shenzhen Subway

Thailand's Jinwanli Group signed a letter of intent with Shenzhen regarding investment in and the operation of the first phase project of Shenzhen's Subway Line No. 1. The line, which will be 25 km long with 22 stations, will run from Luohu Railway Station to the Nantou Inspection Post. The project, which involves an investment of $1.8 billion, is expected to start in 1995 and completion is expected in 4 years. A feasibility study has been made and the proposal has been submitted to the State Planning Commission for examination and approval. According to the letter of intent, the Thai group will be responsible for accumulating the funds, completing the project on schedule, and operating the subway for a set number of years. (Hong Kong WEN WEI PO 4 Jun 94 p A6)

Australian Businessmen Sign 335 Letters of Intent for Cooperation

The deputy director of the American and Oceanian Affairs Department of the Chinese Ministry of Foreign Trade and Economic Cooperation, Shi Jianxin, has revealed that 335 letters of intent involving investment of $3.96 billion were recently signed at the "Seminar on Trade and Investment in China" in Sydney. The 100-strong Chinese delegation sought investment in Melbourne and Sydney between 1 and 8 June, offering 519 projects worth $7 billion. Most of the cooperation projects involve infrastructure, including power plants, highways, railroads, bridges, and manufacturing industries covering metallurgy, chemicals, machinery, food processing, textiles, agriculture, animal husbandry, electronics, electrical appliances, and building materials. (Beijing ZHONGGUO XINWEN SHE 1250 GMT 9 Jun 94)

Heilongjiang State Farms Introduce Foreign Capital

Heilongjiang state farms have used foreign capital to improve farming. They have established economic and technical cooperative relations with more than 20 countries, including the United States, Japan, Canada, ROK, and CIS, and introduced $250 million of foreign capital, including $70 in World Bank loans and $50 million in foreign bank loans. (Harbin Heilongjiang Radio 1000 GMT 18 Jun 94)

TAIWAN

International Commercial Bank To Return to Ho Chi Minh City

The Ministry of Finance said on 10 June it has approved the upgrading of China International Commercial Bank's [CICB] representative office in Ho Chi Minh City to a branch office. The CICB ceased operations after the Vietnamese communists took Saigon in 1975. This will be the first time the bank has operated in Ho Chi Minh City since 1975. The Vietnamese Government has agreed to cancel all the past rights of claim belonging to and debts incurred by the CICB in Vietnam. The CICB has yet to file an application with the Central Bank of Vietnam for permission to upgrade its representative office to a branch bank status. (Taipei CHING-CHI JIH-PAO 11 Jun 94 p 6)

Total Industrial Output Expected To Double in Eight Years

According to the "White Paper on Taiwan's Industrial Policy for the Coming Decade," which was compiled by the Economic Affairs Ministry's Industrial Consultation Committee, Taiwan's total industrial output will maintain an annual growth rate of 6 percent to reach $320 billion by the year 2002, almost doubling the present value of $188 billion. It is estimated that high technology industries will turn out 60 percent of products in the future. While the textile industry will remain Taiwan's largest industry, with its output value topping $34.6 billion by 2002, the machinery, automobile, consumer electronics, pharmaceutical, and petrochemical sectors will emerge as future star industries following a doubling of their output. Although the information industry will be the fastest growing industry, with its output increasing to $25 billion from $8 billion at present, the petrochemical industry will draw the greatest interest from domestic investors. (Taipei CHING-CHI JIH-PAO 3 Jun 94 p 1)

Overseas Investment Adversely Affects Domestic Tax Revenues

Director of the Taxation Bureau Lin Chien-hsiung said recently that investment by Taiwan businesses abroad has adversely affected tax revenues at home, adding that the taxation bureau will adopt proper measures to deal with this situation. The bureau will find out why Taiwan businesses keep their profits abroad for long periods of time. According to the director, Taiwan's tax revenues from business profits amounted to $4.07 billion a few years ago, about the same as personal income tax and business tax, but in 1993 total business tax rose to $6.255 billion while business profits tax dropped to U.S. $3.948 billion. (Taipei CHING-CHI JIH-PAO 13 Jun 94 p 2)

NORTH KOREA

Increased Use of Silicate Bricks Noted

According to the 17 May NODONG SINMUN, in recent years, about 50,000 silicate brick houses have been built in North Korea, of which 35,000 are located in farming villages. The 19 May NAEWOE TONGSIN cited an article from CHOSON SINBO--a publication of Chosen Soren (Association of Korean Residents in Japan)--stating that out of 80,000 new houses built in Pyongyang, about 18,000 were built with silicate bricks. Silicate brick houses preserve heat better and are more durable than cement block houses, the article said. In addition, the silicate brick production process is reportedly so simple that bricks can be produced quickly and in large quantities, using sand and quicklime or slaked lime. Currently, there are silicate brick factories in Anju in South Pyongan Province, Pihyon in North Pyongan Province, and Hamhung in North Hamgyong Province.

NAEWOE pointed out that increased use of silicate bricks may be the result of a cement shortage in the country. The publication noted that North Korea came "far short" of meeting its production goal of 22 million tons of cement under the Third Seven-Year Plan. Moreover, most of the cement produced in North Korea is for export to Southeast Asia and the Middle East, leading to a "serious" cement shortage in the construction sector.

SOUTH KOREA

FEATURE: ROK Moving 'Full Scale' Into Next-Generation Displays

ROK conglomerates are investing heavily in liquid crystal display (LCD) technology and manufacturing equipment to reduce their dependence on Japanese imports and secure a competitive position in this next-generation electronics field, according to Seoul press reports. Samsung is building the country's first LCD color filter plant and has made organizational changes that will allow the group to focus on this sector. Both Samsung and Orion will realize early production of LCD-related items through technical tieups with Toshiba. Some $2.5 billion will be invested totally in LCD's by top South Korean firms through 1998.

South Korea's four largest electronics manufacturers are investing "full scale" in liquid crystal display development while taking other steps to secure a competitive international position in this "next-generation" sector by the second half of the decade. According to the 26 May MAEIL KYONGJE SINMUN, Samsung Group is developing 9.4-inch thin film transistor (TFT) LCD's for notebook personal computers (PC's). It reportedly began building a plant at the end of last year to mass produce the item by early 1995.

The same newspaper reported on 13 May that Samsung is making organizational changes to allow its electronics-related subsidiaries to concentrate more fully on individual product types. Samsung Electronics has been developing the 9.4-inch TFT color units, but will transfer production by the end of 1995 to Samsung Display Devices (formerly Samsung Electron Devices), which at present manufactures only twisted nematic (TN) and super-twisted nematic

(STN) LCD's. The latter subsidiary in turn will cede production of monitors to Samsung Electronics, computers to Samsung Data Systems, and deflecting coils (used in monitors) to Samsung Electro-Mechanics. According to the newspaper, Samsung Display Systems will have invested 500 billion won ($625 million) by 1998 to expand its share of the world's TFT-LCD market to 7-8 percent.

In addition, the 7 June MAEIL KYONGJE reported that Samsung Corning will spend 60 billion won ($75 million) on a factory in Suwon to manufacture color filters for TFT-LCD's, which when completed in June 1995 will have an annual output of 1.5 million 10-inch filters. According to the paper, South Korean manufacturers have been entirely dependent on Japan for these filters. As Samsung and other ROK companies gear up to produce TFT-LCD's as next-generation replacements for cathode ray tubes by 1995, demand for this "core component" is expected to rise sharply. Although the June MAEIL KYONGJE article stated that local production of TFT-LCD's would reduce South Korea's dependence on Japan, earlier articles from the same newspaper nevertheless identified at least two avenues of Japanese support for Samsung's LCD program, namely, Samsung Display Devices' plan to set up a "research institute" in Japan to obtain LCD technology (MAEIL KYONGJE 8 Nov 93) and Samsung's agreement with Toshiba to "jointly develop" LCD integrated circuits (MAEIL KYONGJE 28 Dec 93).

Meanwhile, Orion Electric Co., a subsidiary of the Daewoo Group, is investing 91 billion won ($113.75 million) in a factory to produce color LCD's for notebook PC's, according to the 4 June MAEIL KYONGJE. The plant will produce 840,000 9.5-inch color STN-LCD's annually and another 12 million TN and small-to-medium STN-LCD's. The same paper's 26 May issue gave a lower annual production figure of 720,000 9.5-inch color units by 1995 and added that the company will invest another 350 billion won ($437.5 million) into TFT-LCD production equipment from 1995.

Although other domestic firms have developed prototype color STN-LCD's, Orion will be the first South Korean company to mass produce them, thanks to a technology transfer agreement the company signed with Toshiba in March 1993, according to the 4 June MAEIL KYONGJE. Orion's new "in-line equipment" will produce four LCD surfaces on each glass substrate wafer in a clean room "with a degree of purity under 100." The paper noted that color LCD's for notebook PC's had been available only through Japanese companies such as Toshiba, Sharp, and NEC and that Orion's production is expected to save the ROK 120 billion won ($150 million) annually in import costs.

Finally, the 26 May MAEIL KYONGJE reported that Goldstar is developing 9.5-inch TFT-LCD's for notebook PC's, and 5.6-inch units for portable televisions. The company will invest 300 billion won ($375 million) in production facilities by 1995 and spend another 200 billion won ($250 million) betwen 1996-97 to increase production capacity to 1 million units annually. Hyundai this year will expand its production facilities for small and medium color STN-LCD's and work out plans to build larger units. The company reportedly will have a TFT-LCD line finished by the end of 1995, that will be able to produce prototypes. Hyundai will spend 460 billion won ($575 million) on this item alone between 1995-98.

MAEIL KYONGJE also noted that Samsung, Orion, Goldstar, and Hyundai will invest a total of about two trillion won ($2.5 billion) in LCD's by 1998, in anticipation of a world market that will grow from $8.4 billion in 1995 to $15 billion by the year 2000.

Ministries Differ on How To Revise Communications Industry

Friction is growing between the Ministry of Trade, Industry, and Energy (MOTIE) and the Ministry of Communications (MOC) over who will take the lead in the information and communications industry. On 6 June, the MOTIE-affiliated Korea Institute for Industrial Economics and Trade (KIET) released a proposal for restructuring the communications industry. KIET's proposal differs greatly from one presented in April by the Communications Development Research Institute, an affiliate of the MOC. In its proposal, KIET suggests shifting from the current system of designating key communications businesses to a licensing system. KIET's proposal would allow communications service providers to freely participate in the industry and allow businesses with their own communications facilities to operate them commercially. However, the communications institute fears that abolishing restrictions would lead to problems of vertical integration. It does not want businesses with communications facilities to participate in the overall industry. The MOC plans to prepare its amendment for presentation to the National Assembly in September. (Seoul MAEIL KYONGJE SINMUN 7 Jun 94 p 1)

In general the amendments proposed by KIET and the communications institute have a common starting point and share similar views on some issues. However, the two institutes differ on the issue of qualification standards and on the amount of participation various businesses may have. The following is an overview of the main points of contention, the current system, and the revisions proposed by the institutes.

Enterprise's framework

Current system: Enterprises are divided into two categories. A. Key communications enterprises--general (city phone service, etc.) and special (mobile telecom, etc.) B. Value-added service providers--use general communications enterprises' equipment

The communications institute proposes maintaining the current system, with general enterprises owning the communications facilities and value-added service providers using those facilities.

KIET proposes allowing value-added service providers to use cable TV facilities as well as those of general enterprises.

Restrictions on participation in key enterprises

Current system: A. General enterprises--individual companies are limited to a total share of 10 percent, equipment manufacturers are limited to a total of 3 percent, and foreign participation is not allowed. B. Special enterprises--individual companies are limited to a total share of 33 percent; government, equipment manufacturers, etc. are limited to a total share of 10 percent; foreigners are limited to a total share of 33 percent.

The communications institute recognizes the need to relax restrictions, but is undecided as to concrete percentage limits.

KIET proposes lifting all restrictions on participation for ROK entities and determining foreign participation according to the outlook for the Uruguay Round agreement.

Commercial use of communications facilities

Current system: Companies are prohibited from using their own communications facilities for "outside purposes."

The communications institute proposes continuing the current system, while allowing enterprises with such facilities to offer limited communications services.

KIET proposes abolishing the current system and allowing companies to use their communications facilities for commercial purposes. (Seoul MAEIL KYONGJE SINMUN 7 Jun 94 p 3)

New Laser Has Applications in Semiconductors, Diagnostic Equipment

The Korea Advanced Institute of Science and Technology (KAIST, a ROK Government-funded research institute within the Ministry of Science and Technology) has developed a high-energy laser with potential applications in semiconductors, nuclear fusion, and a variety of medical and diagnostic equipment. Developed by KAIST's Laser Science Research Center, the device reportedly produces 2 trillion watts of power. In terms of technological sophistication, the development puts South Korea within the ranks of the 10 most advanced nations in laser research.

KAIST began working on high-energy lasers in 1988 and has invested 730 million won ($912,500) in their development. The present device is made up of a master oscillator, a reamplifier, and a five-stage main amplifier. The length from the main oscillator to final output is 40 meters and the beam at final output is 9 mm in diameter. Based on neodymium-glass, the laser has 80 joules of energy at a wave length of 40 trillionths of a second.

The laser will make it possible for South Korea to develop its own X-ray lithography technology needed for next-generation one giga-DRAM chip memory elements with line definitions of only 0.15 microns. It will also have applications in genetic engineering, medicine, and optics, including X-ray microscopes and holograms. KAIST will begin work immediately on a device with a seven-stage amplifier that produces ten trillion watts of power. (Seoul MAEIL KYONGJE SINMUN 8 June 94 p 57)

Auto Technology Imports Up Average of 6.6 Percent Since 1990

The South Korean auto industry imported 85 different auto technologies in 1993, six more than in 1992. The number of imported technologies has risen an average of 6.6 percent annually since 1990. The industry imported 42 technologies (or 49.4 percent) from Japan, 12 (14.1 percent) from the United States, 11 (12.9 percent) from England, and seven (8.2 percent) from Germany. ROK companies have allowed $190 million for royalties, excluding fees for ordinary technologies. Most of the royalties went to Germany ($102.8 million, or 53.9 percent), while $57.67 million (30.2 percent) went to Japan, $16.55 million (8.7 percent) to England, and $5.53 million (2.9 percent) to the United States. Finished automobile manufacturers accounted for 39 of the imported technologies. For example, Daewoo Motors imported 13 technologies, Asia Motors seven, Hyundai and Kia four each, and Ssangyong Motors three. Samsung, which wants to enter the car manufacturing industry, also imported four technologies from Japan's Nissan. (Seoul KUKMIN ILBO 21 May 94 p 6)

Government Stresses Labor-Management Cooperation

At a meeting held on 23 May to discuss the "new economy" development plan, President Kim Yong-sam stressed the importance of a "harmonious" labor-management working relationship, saying that "without it, we will not be able to improve our national competitiveness and attract overseas investment." To bolster his message, the ROK president has ordered the Ministry of Trade, Industry, and Energy (MOTIE) and the Ministry of Labor to set up offices dedicated to promoting labor-management cooperation. (Seoul HANGUK ILBO 24 May 94 p 4)

MOTIE and other government agencies will reportedly formulate policies providing incentives such as tax breaks and other exemptions to companies that promote cooperative labor-management relations. For example, companies that offer company stocks and bonds to their employees will be granted a tax break. (Seoul HANGYORE SINMUN 24 May 94 p 7)

Government Advocates Creation of Regional Economic Body

The ROK Government plans to push for the creation of an economic body favoring economic development in Northeast Asia. As envisioned by the government, South Korea, Japan, China, and North Korea would form the "main body," with South Korea being at the very center of the organization. The government will form a special committee that will draw up a blueprint to renovate and develop airports, harbors, and train and truck terminals to meet international standards. The committee will also assist the country's key industries in getting ready for regional and international scale operations. Although the overall plan is only in the preliminary stage, the government has already decided to compile all statistical data in accordance with OECD (the Organization of Economic Construction and Development) standards. (Seoul HANGYORE SINMUN 28 May 94 p 7)

Reimports of Electronics From China Increasing

In the first four months of this year, ROK companies reimported $95.16 million worth of electronics products from China, an increase of 58.9 percent over the same period in 1993. The increase follows ROK firms' moves to set up two-tiered production, in which low-value products are produced in China and high-value and high-tech products are produced domestically. The reimports included $53.13 million worth of electronics parts (an increase of 69.1 percent), $12.72 million worth of finished industrial electronics products (an increase of 22.4 percent), and $29.3 million worth of finished household electronics (an increase of 62.5 percent). With regard to electronic parts, reimports of integrated circuits alone increased 400 percent, totaling $3.16 million. Recently ROK investment in China in the area of finished electronics products has increased, therefore imports of finished electronics products from China are also expected to increase significantly in the future. (Seoul HANGUK KYONGJE SINMUN 6 Jun 94 p 9)

Kia To Export $40 Million Worth of Car Parts to Japan

Kia Motor Company will begin shipping $40 million worth of compact car parts to Japan's Mazda in July. South Korea exported $76 million of car parts to Japan last year and $24 million in the first four months of this year. Mazda decided to order car parts from Kia because the strong yen has rapidly weakened the international competitiveness of its finished cars. Meanwhile, Kia intends to develop other parts for export, in case the yen remains strong. (Seoul MAEIL KYONGJE SINMUN 14 Jun 94 p 10)

Daewoo To Export Armored Cars to Malaysia

Daewoo Heavy Industries recently announced it will export 22 armored cars worth $13 million to Malaysia. This will be the second shipment to Malaysia, following last year's shipment of 42 armored cars. (Seoul TONGA ILBO 18 Jun 94 p 10)

ROK To Begin 'Officially' Exporting Cars to China

During talks held on 9 June between Wu Yi, China's foreign trade and economic cooperation minister, and her ROK counterpart, Kim Chol-su, it was announced that China will "officially" import ROK cars for the first time. Minister Wu said that a barter-trade contract will soon be signed between Daewoo Corporation and the China Machinery Import and Export General Bureau. Under the contract, Daewoo will exchange 5,000 of its passenger cars for Chinese corn and machinery parts. Another ROK car manufacturer, Hyundai Motors, is also negotiating with China to export its cars through official channels. (Seoul HANGYORE SINMUN 10 Jun 94 p 2)

Asia Cement To Enter China's Market

Asia Cement has concluded a joint venture agreement with China's Dalian Second Cement to build a concrete plant. The new venture has a total paid-in capital of $579 million. The plant will be able to produce 200,000 cubic meters of mixed concrete annually and will be equipped with modern environmental devices. (Seoul MAEIL KYONGJE SINMUN 11 Jun 94 p 8)

Undersea Optical Cable Link to Russia To Be Completed in 1995

Korea Telecom recently announced that construction of an undersea optical cable to link South Korea, Russia, and Japan had begun in Pusan. Work is scheduled to be completed by January 1995. Dubbed the "R-J-K undersea optical cable," the 1,717-km cable has a capacity of 15,000 communication lines. South Korea will shoulder 22 percent or 80 billion won ($100 million) of the construction costs. (Seoul MAEIL KYONGJE SINMUN 14 Jun 94 p 16)

Hyundai Precision To Introduce Technology From Germany

Hyundai Precision plans to introduce technology from Germany to produce vertical machining centers. The technology will help diversify Hyundai's production of machine tools. Hyundai has agreed to pay the German company supplying the technology 3 percent of its net sales, in addition to an up-front payment of 500,000 marks ($315,000). (Seoul MAEIL KYONGJE SINMUN 12 Jun 94 p 6)

Hyundai To Export 'Accents' to Europe, Middle East, Asia

Hyundai Motor Company will export its four-door Accent passenger car to Europe and Asia beginning in June, and to North America beginning in July. It will also export three- and five-door cars to the Middle East, Europe, and Asia beginning in August, and to North America beginning in September. Hyundai will increase its production capacity from 18,000 cars per month to 33,000 beginning in September. The company will supply 17,000 of the cars produced this month to the domestic market. In July, it will produce 24,500 cars, exporting 10,500 of them and selling the rest domestically. (Seoul MAEIL KYONGJE SINMUN 18 Jun 94 p 8)

SOUTHEAST ASIA

BURMA

Hong Kong Securities Firm Establishes 'Myanmar Fund'

The Hong Kong firm Kerry Securities has established a "Myanmar Fund" as a vehicle to invest in Burmese companies that are "advancing into a market economy," as well as in Burmese foreign debt instruments. The $50-$100 million fund will probably be listed on the Dublin Stock Exchange.

Kerry Securities is controlled by Robert Kwok, a Malaysian-born Overseas Chinese tycoon who also controls the Shangri-La luxury hotel chain. In March 1994, Kwok announced that he will build a hotel in Rangoon.

Burma has no foreign exchange holdings and because it has been late in repaying its debts to the governments of the advanced countries and financial institutions, it has no access to new government financing or private bank loans. Thus, Burma must rely on direct investment by foreign companies, and the new fund apparently is the first example of this type of financing.

According to Kerry Securities, the fund's investment objectives include investing in Burmese joint ventures with foreign companies, investing in government enterprises that are being privatized as well as in infrastructure projects, purchasing government debt instruments and government and corporate bonds and short-term financing. To diversify risk, no single investment can exceed 20 percent of the fund's total investment and this limit probably will be set even lower, at 10-15 percent. The fund will be managed by Kerry Investment Management, another company in the Kerry corporate family. (Tokyo NIKKEI KINYU SHIMBUN 12 Jun 94 p 1)

French Company To Build Gas Turbines at Power Station

The Myanmar Electric Power Enterprise (MEPE) and France's European Gas Turbines SA have signed a contract to build three 33-megawatt gas turbines at the Ahlone power station to generate additional power for Rangoon by the end of the year. Burma also plans to build another 100-megawatt power station in the near future. (Rangoon THE NEW LIGHT OF BURMA 10 Jun 94 p 3)

Thai Farmers Bank To Open Resident Office in Rangoon

The Thai Farmers Bank, Thailand's third largest bank, will open a resident office in Rangoon, according to Burma's Central Bank. To date eight foreign banks have received permission to open offices in Burma, including the Thai Military Bank and the Development Bank of Singapore. (Tokyo NIKKEI KINYU SHIMBUN 12 Jun 94 p 5)

INDONESIA

Indonesia Seeks ROK Participation in Oil Field Development

At a recent press conference in Seoul, Indonesian Minister of State for Research and Technology Habibie expressed hope that ROK businesses will "actively participate" in expanding electricity installations and developing oil fields in Indonesia, projects in which Indonesia will

invest a total of $61 billion. Minister Habibie said that the Indonesian Government will invest $35 billion in developing the oil fields on the Natuna Islands during an eight-month period and $26 billion in expanding electricity installations. (Seoul MAEIL KYONGJE SINMUN 19 Jun 94 p 2)

P.T. Telkom Launches Global System for Mobile Communications

The state-run telecommunications company P.T. Telkom plans to start its Global System for Mobile Communications (GSM) on 1 July in Batam island. GSM, a cellular mobile communication system that works on a 900-Mhz frequency with digital technology, is the latest in communications. (Jakarta BISNIS INDONESIA 27 May 94 p 6)

Trade Agreement With Czech Republic Signed

Czech Industry and Trade Minister Vladimir Dlouhy and Indonesian Trade Minister S.B. Joedono recently signed an agreement to strengthen bilateral trade relations. According to Minister Dlouhy, Czech businessmen are looking for Indonesian partners to manufacture truck engines for export to Egypt, Turkey, China, and North Korea. In addition, the Czech Republic is interested in exporting its Skoda cars to Indonesia. In the past, imports to Indonesia from the Czech Republic have included steel, raw material for plastics, machinery and equipment for cement factories, glassware, and chemical products. Indonesian exports to the Czech Republic have included natural rubber, coffee, plywood, office machinery, furniture, telecommunications equipment, and textiles. (Jakarta MERDEKA 26 May 94 p 4)

Increase in Textile, Garment Exports to Japan Reported

Doddy Sukandar, secretary of the National Agency for Export Development, recently stated that textile exports to Japan from January to November 1993 reached $446.18 billion, increasing by 2.9 percent over the same period in 1992. In addition, garment exports increased by 4.8 percent, from $327.98 billion in 1992 to $343.67 billion in 1993. According to Sukandar, the market share of Indonesian textiles in Japan increased from 2.6 percent to 2.8 percent and that of garments from 2.7 percent to 2.8 percent. (Jakarta THE INDONESIA TIMES 9 Jun 94 p 1)

Trade Chamber Expects Lower Australian Import Duties

The Indonesian Chamber of Commerce and Industry (Kadin) has expressed hope that Australia will lower the import duties imposed on Indonesian commodities exported to Australia, with a view to boosting trade and improving the balance of trade between the two countries. Aburizal Bakrie, Kadin's president, signed a memorandum of understanding with the Australian Chamber of Commerce and Industry in Jakarta on 8 June to make adjustments to the tariff and nontariff barriers against several Indonesian products. Bakrie said last year that Australia enjoyed a trade surplus of $627 million, with total bilateral trade volume reaching $2.17 billion dollars. (Jakarta Radio Republik Indonesia Network 0000 GMT 9 Jun 94)

LAOS

Thailand, PRC, Singapore To Establish Trade Complex in Laos

Thailand, the PRC, and Singapore plan to establish a $400-million, duty-free trade complex at Don Sai Island, Laos, to be called the Golden Triangle Company. The trade center will be a duty-free port with goods supplied by various countries, including Laos, Burma, the PRC, and Singapore. Goods from the PRC will include garments, herbal medicines, and farm tools, while products from Laos and Burma will consist of silverware, handicrafts, and gems. Singapore will sell electrical appliances and film negatives and Thailand will sell miscellaneous products. The goods will be transported along the Mekong River and sold at the trade complex or exported to nearby countries. (Bangkok Voice of Free Asia 1030 GMT 21 Jun 94)

MALAYSIA

Telekom Malaysia To Establish Joint Venture in Sri Lanka

Telekom Malaysia recently announced that it will operate a digital cellular telephone network in Sri Lanka by the end of the year. The joint venture company, MTN Network Ltd., will become the fourth cellular network operator in Sri Lanka, but the first to offer a digital-based system, using the Global System for Mobile Communications (GSMC) standard. The company will start off with 10,000 subscribers. (Kuala Lumpur BERITA HARIAN 24 May 94 p 7)

SINGAPORE

FEATURE: Electronic Access to Information, Services Available By 2000

Kuala Lumpur and Jakarta papers recently reported that Singapore is resolved to become a "push-button, electronic city-state" by the year 2000. The National Computer Board envisions a future in which virtually all computers will be interconnected and Singaporeans will have electronic access to information and services at any time and in any place, the papers said.

The 17 May Kuala Lumpur BERITA HARIAN reported that Singapore is well on its way to becoming a "push-button electronic city-state" by the year 2000. Presently, Singaporeans can already push a few buttons on automated bank teller machines to purchase stocks and bonds, obtain stock market data from a pocket-size pager, dial for health care information, and phone in tax returns on incomes of up to $12,000 a year.

The 19 May Jakarta BISNIS INDONESIA reported that one in four Singapore households owns a computer and 10 percent of them are now connected to modems for external communication. The paper added that under the government's "Information Technology 2000" plan, virtually all computers in homes, offices, schools, and factories will eventually be interconnected. In addition, the paper noted that NCB (National Computer Board) Chief Executive Ko Kheng Hwa's vision is to transform Singapore into an "Intelligent Island" where people will have access to on-line information and services, any time, anywhere. The NCB projects that by the year 2000, it will be technologically feasible for Singaporeans to work, shop, and bank from home via an electronic screen and by pushing a few keys or using voice commands, according to BERITA HARIAN and BISNIS INDONESIA.

BERITA HARIAN reported that the NCB is supported by several partners in this project, including Singapore Telecom. It is equipped with satellite stations and transoceanic cables and linked with BISDN (Broadband Integrated Services Digital Network). NCB Chief Executive Ko said that BISDN can provide more video channels and allows a single telephone cable to handle multiple, simultaneous transmissions.

According to BERITA HARIAN, several new projects will soon be under way. One of them will link local and overseas libraries and allow users to access multimedia information databases from their homes and offices. In 1996, Singapore plans to start an electronic road pricing (ERP) system for cars entering business districts during peak hours. While motorists driving to Singapore's shopping and business districts during peak hours must now purchase a daily or monthly permit, in the future, they will need to have a stored-value card attached to their vehicles. BERITA HARIAN also cited Ko's prediction that by the end of the decade, Singaporeans will be able to touch an icon on a television screen placed at an information kiosk to read movie or concert reviews, select seats, and purchase tickets electronically.

Finally, BERITA HARIAN and BISNIS INDONESIA said that the cost of this fast-paced networking operation will be several billion dollars. The two papers noted that last year alone the public and private sectors spent about $1.2 billion for computer hardware and software, while Singapore Telecom spent more than $280 million for telecommunications infrastructures.

Singaporean Banks Expanding Into Asia

Singapore's large banks are stepping up their involvement in other Asian countries. The Development Bank of Singapore has had offices in Beijing, Bombay, and Rangoon since spring of this year. It is involved through its affiliated companies in the trading industries in Sri Lanka and the Philippines and is on the Shanghai and Shenzhen stock exchanges in China.

Another Singaporean bank, the Overseas-Chinese Banking Corporation, with the addition of a Tianjin branch in December 1993, now has three branches in China. The bank has permission to set up a representative office in Rangoon, may establish an offshore branch in Bangkok, and is considering investing in Indonesian banks and moving into Vietnam.

The Overseas Union Bank is moving ahead with preparations to establish an office in Chengdu, China and has applied for permission to open an offshore bank in Bangkok, where it now has a representative office. The bank opened an office in Ho Chi Minh City in 1993.

The Keppel Bank has received permission to establish a representative office in Beijing. It is preparing to open an office in Rangoon and a branch in Vietnam and seeks opportunities to enter Bangkok, Manila, Jakarta, and Taipei. (Tokyo NIKKEI KINYU SHIMBUN 8 Jun 94 p 5)

Increase in 1993 Trade With Netherlands Reported

Trade between Singapore and the Netherlands amounted to $1.45 billion in 1993, an increase of 53 percent, according to a Royal Netherlands Embassy statement. Singapore's imports from the Netherlands, involving mostly refined oil products, rose 73 percent, while its exports to the country rose 37 percent and consisted of computers, semiconductors, transistors, and medical equipment. (Singapore BUSINESS TIMES 16 Jun 94 p 2)

THAILAND

Foreign Bank Branches To Be Upgraded

Five of the 46 foreign bank branches that provide Bangkok International Banking Facility (BIBF) services may be upgraded to full branches by next year in line with Thailand's planned liberalization of the financial sector, according to Bank of Thailand Governor Wichit Suphinit. (Bangkok BANGKOK POST 20 Jun 94 p 21)

Electricity Authority To Increase Purchases From Laos

Beginning in September, Thailand will purchase more electricity from Laos. Sombun Maninawa, general manager of the Electricity Generating Authority of Thailand (EGAT), recently said that electricity from Laos will not cost more than electricity generated in Thailand. EGAT will issue government bonds worth $122 million to finance various projects, including the purchase of electricity. (Bangkok Radio Thailand Network 0000 GMT 16 Jun 94)

State Bank of Vietnam Receives $100-Million Loan

The state-owned Krung Thai Bank and the Export-Import Bank of Thailand extended a $100-million loan to the State Bank of Vietnam on 17 June, marking a new era of financial liberalization. Prime Minister Chuan Likphai said the credit extension is designed to help Vietnam's reconstruction. (Bangkok Radio Thailand Network 0000 GMT 19 Jun 94)

VIETNAM

FEATURE: Vietcombank Branching Out, Expanding Services

Vietcombank is expanding its services into new, consumer-oriented sectors possibly in conjunction with other Asian banks, a Tokyo financial newspaper reported. The bank is also broadening its network of domestic and overseas branches and offices in response to the country's economic growth and increased dealings with foreign companies.

Vietnam's largest state-run bank, the Vietnam Foreign Trade Bank (also called Vietcombank) will have established financial service companies in five sectors by the year 2000, the 12 June Tokyo NIKKEI KINYU SHIMBUN reported. According to the bank's vice-president, these sectors include leasing, credit cards, real estate, consulting, and non-banks. The real estate and consulting companies will be fully invested subsidiaries of Vietcombank. Companies in the other three sectors will be joint ventures with foreign companies.

NIKKEI reported that the leasing company in particular could take the form of a joint venture with Japan or Singapore. The paper added, however, that due to Vietnam's "poorly defined" provisions for enforcing existing laws on mortgage and loan guarantees, the willingness of foreign leasing companies to participate is "uncertain."

Meanwhile, NIKKEI's 14 June edition stated that Vietcombank is planning a network of domestic and overseas branches. The bank reportedly will establish its first foreign branch in Hong Kong early next year. It is now setting up offices in France and Sweden and is considering opening offices in Tokyo, Singapore, and Moscow.

Domestically, the bank is augmenting its branches in export processing zones in response to economic growth and increased trade with foreign companies, the paper reported. These include Tan Thuan in Ho Chi Minh City and future zones planned for Hanoi, Haiphong, Da Nang, Can Tho, and Lai Chau. Branches are also being set up in Minh Hai, in the southernmost part of the country, and in Lang Son, on the PRC border. NIKKEI noted that 23 domestic branches are planned altogether: 17 in the main cities, and six in the export processing zones.

Figures on Foreign Investment Projects Reported

As of 18 March, 897 foreign investment projects capitalized at $8.468 billion have been licensed. Investment capital increased by an average of 51.6 percent between 1988 and 1992. In 1992, investment capital registered a 70-percent increase over the combined total of the four previous years, while the 1993 figure was 40 percent higher than the year before. (Ho Chi Minh City SAIGON GIAI PHONG 24 Apr 94 p 2)

Between 1991 and 1993, investment in industries accounted for 45 percent of the total registered capital. By contrast, in previous years, there had been a heavier concentration of investment in hotels and oil and gas projects. Investment in natural resources exploitation currently accounts for only 2 percent of total investment. Provinces in mountainous areas that did not receive any foreign investment in the past have recently obtained about 35 projects, capitalized at $175 million. However, nationwide, a number of projects worth approximately $612.8 million have been terminated or withdrawn. (Ho Chi Minh City THOI BAO KINH TE SAIGON 27 Apr 94 pp 10, 11)

$4-Billion Investment Projected for Northern Economic Triangle

Deputy Prime Minister Phan Van Khai recently approved a priority project under which Hanoi, Haiphong, and Ha Long city in Quang Ninh Province will form a "strategic triangle" for economic development. According to the Ministry of Construction, the investment estimate for this "northern priority triangle" will reach approximately $4 billion by the year 2000.

The triangle will include industrial districts, export processing zones (EPZ), industrial parks, and tourist service districts in areas such as Soc Son-Noi Bai, Sai Dong, the southern part of Thang Long bridge, and Dong Anh in Hanoi; Minh Duc, Dinh Vu, Vat Cach, and Fourteenth Street in Haiphong; and Uong Bi and Quang Yen in Quang Ninh. (Ho Chi Minh City TUOI TRE CHU NHAT 24 Apr 94 p 5)

Foreign Banks Seeking to Establish Branches

Foreign banks have been seeking authorization to establish branches in Vietnam, according to the 10 June Tokyo NIKKEI KINYU SHIMBUN. Currently, nine foreign banks have branches either in Hanoi or Ho Chi Minh City. They include four French banks (Credit Lyonnais, Indosuez Bank, National Bank of Paris, French Foreign Trade Bank), two Thai banks (Bangkok Bank, Thai Military Bank), and one bank each for Taiwan (Cathay Investment & Trust) and Australia-New Zealand (ANZ Bank), according to the September 1993 Ho Chi Minh City THOI BAO KINH TE SAIGON. Standard Chartered, the ninth bank, is British and was recently authorized to establish a branch in Hanoi, according to the 9 June NIKKEI KINYU.

The 10 June NIKKEI KINYU reported that approximately 20 foreign banks have either formally or informally sought authorization from the Vietnam State Bank--the central bank of Vietnam--to upgrade their representative offices to full branches. [Representative offices

typically do not engage in full banking operations.] Deutsche Bank, Hongkong & Shanghai Banking Corp., and the Korean Shinhan Bank expect to receive such authorization for their offices in Ho Chi Minh City between this summer and fall.

Japanese banks have the largest presence in terms of overall number of offices, according to the 8 June NIKKEI KINYU. Seven of Japan's largest banks, including Bank of Tokyo, Daiwa, Sakura, Tokai, Fuji, Mitsubishi, and Sanwa have established representative offices in Ho Chi Minh City, while two others, Asahi and Sumitomo, expect to receive authorization to establish offices there by this summer. According to NIKKEI KINYU, the Industrial Bank of Japan and Long-Term Credit Bank of Japan are currently planning to establish representative offices in Hanoi bringing to 11 the number of Japanese banks with offices in Vietnam. No U.S., German, or Japanese bank presently has a branch in Vietnam, according to the 9 June NIKKEI KINYU.

A Japanese bank will conclude what is reportedly the first agreement of its kind between the Vietnamese Government and a foreign bank, according to the 8 June NIKKEI KINYU. Sakura Bank, one of Japan's leading commercial banks, and Vietnam's Ministry of Trade will provide one another with information on their domestic economies and industries and assist companies seeking to enter one another's market. Sakura, which has counseled some 40 Japanese companies seeking to enter Vietnam in the past six months, expects the agreement to provide an avenue for accurate and timely information on commercial law and tax reform in Vietnam where information is "conspicuously deficient."

Joint Venture Planned To Exploit Bach Ho LPG

Japan's Mitsui and Co. will join with the English firm British Gas, the Canadian firm Trans-Canada Pipelines, and Vietnam's state-run gas company Petro Vietnam in a three-way venture to exploit offshore gas produced at the Bach Ho fields. Some $400 million will be invested in the project, which envisions building a 130-km pipeline to the mainland and an LPG (liquefied petroleum gas) plant in Vung Tau, as early as this year. The British and Canadian companies will be responsible for the project's technology and the Japanese firm will handle sales. South Korea's Hyundai Group will lay the pipeline and build other facilities. A part of the planned 260,000-ton annual LPG production will be exported to Southeast Asia, China, and Japan, with the remainder used as fuel for a local power generating plant. There are plans to sell some of the gas later as a precursor for fertilizer and other chemical products. (Tokyo NIHON KEIZAI SHIMBUN 10 Jun 94 p 1)

Government Approves 'Largest' Port Construction Project

A project to build a deep water port at Sao Mai-Ben Dinh, Ba Ria-Vung Tau Province at a total cost of more than $900 million has received government approval. It will be built in two phases. The first, from 1994 to 1997, consists of building a port that will receive ships with a maximum tonnage of 80,000 metric tons and include an industrial complex and a container platform. In the second phase, from 1998 to 2000, the port will be enlarged to handle ships up to 200,000 metric tons and a refinery and petroleum reservoir will be built. Upon completion, the port will be the "largest" in Vietnam, with an installed capacity of 50 million metric tons per year. The project is a joint venture between the Service and Construction Investment Company of Ben Dinh Village and Japan's Tredia Investment Company. (Hanoi VNA 0547 GMT 6 Jun 94)

Vietnam To Restrict Import of New Foreign Cars

According to the Korea Trade Promotion Corporation, Vietnam has "strengthened" its regulations on foreign car imports, giving the right to import new foreign cars for less than 12 passengers to only eight companies, including Savico, while stipulating that importers of more than 50 cars at one time should receive import permission from the Ministry of Commerce and Tourism before granting letters of credit. (Seoul MAEIL KYONGJE SINMUN 9 Jun 94 p 11)

Foreign Investment in Road, Bridge Projects Reaches $700 Million

More than $700 million in foreign capital has been invested in projects to restore, upgrade, or build bridges and roads during the past two years. According to a forecast from economic offices, this figure will rise to about $800 million in 1996 and $1 billion in 1997. These funds are used mainly for projects such as the ones that restored and upgraded Highway No. 1, 100 km of Highway No. 5 (linking Hanoi and Haiphong), and Highway No. 18, linking Bac Ninh with Quang Ninh. (Hanoi VNA 0600 GMT 12 Jun 94)

Foreign Investment Capital Figures From 1988 to 1992 Reported

Sector	Number of Projects	Registered Capital (in million dollars)
Industries (light, heavy, mining)	488	3,557
Oil, gas	26	1,279
Agriculture, fishery, forestry	94	585
Postal, communications	20	631
Tourist, hotels	106	1,604
Services	115	467
Banking, finance	13	156
Others	33	221
Total	**895**	**8,500**

As of 25 December 1993, the actual committed capital of foreign investment projects accounts for about 30 percent of the registered capital, totaling $2.084 billion, of which $1.672 billion comes from foreign investors, $312 million from the Vietnamese side, and $100 million in loans.

Year	Investment Capital of Licensed Projects (in million dollars)	Investment Capital of Operating Projects (in million dollars)
1988	366	234
1989	539	330.5
1990	596	482
1991	1,288	1,159
1992	1,939	1,921.6
1993	2,728.4	2,716.5
Total	**7,456.4**	**6,843.8**

Year	Investment Capital of Actual Committed Capital (in million dollars)	Projects Withdrawn (in million dollars)
1988	239	132
1989	366	208.5
1990	349	114
1991	513	129
1992	471	17.4
1993	146	11.9
Total	**2,084**	**612.8**

(Ho Chi Minh City THOI BAO KINH TE SAIGON 27 Apr 94 pp 10, 11)

Italian Businesses To Invest $48 Million in Vietnam

Italian businesses are exploring cooperation opportunities in Vietnam and want to invest in the food industry, textiles, steel, granite, and cement. A group of 22 Italian entrepreneurs and bankers recently paid a working visit to Hanoi and the industrial group Italia Confindustria plans to send specialists to study the Vietnamese economy and provide technical training for young Vietnamese industrialists. According to the Italian Government's special envoy Rosolino Orlando, an initial investment of $48 million will be made, with increasingly larger investments to follow. (Hanoi TUAN BAO QUOC TE 19-25 May 94 p 4)

Construction of 'Primary' Southern Port Started

Construction of Phu My Port in Phu My Village, Chau Thanh District, Ba Ria-Vung Tau Province started on 30 April. Investment in the project totals $9 million, of which 60 percent is contributed by the French companies Conco and Sogema and the Norwegian company Norsk Hydro. Construction will be completed in 16 months. The port will be "the first primary port" in the Ho Chi Minh City-Dong Nai-Ba Ria-Vung Tau economic triangle. During the first phase, it will be able to receive ships of 30,000-40,000 metric tons. (Ho Chi Minh City SAIGON GIAI PHONG 2 May 94 p 1)

Joint Venture To Produce Nonalcoholic Beverages Licensed

Vietnam's Vinalimex and the multinational company Coca-Coca Indochina Pte Ltd. have formed a 30-year joint venture to produce nonalcoholic beverages. The new company is called Coca-Coca Ngoc Hoi. It was licensed in April and is capitalized at $20.4 million, of which $15.46 million is prescribed capital. (Hanoi NHAN DAN 7 May 94 p 4)

Singapore Reported To Be Top ASEAN Investor

According to the State Committee for Cooperation and Investment, Singapore is currently the top ASEAN investor in Vietnam. To date, it has invested $544 million in 62 projects in the food, packaging, and electronic industries. Vietnam has attracted $1 billion worth of foreign investment in the first five months of the year, of which $163 million came from Singapore. (Singapore SBC 1400 GMT 10 Jun 94)

Exports of Rice, Paddy to Taiwan, PRC Reported

The Kien Giang Export-Import Joint Corporation has signed contracts worth $24 million to export 106,000 metric tons of rice and 4,000 metric tons of paddy to Taiwan and the PRC. These exports will occur between now and the end of the year. (Hanoi Voice of Vietnam Network 1100 GMT 17 Jun 94)

Canada Opens Trade Office in Ho Chi Minh City

The Canadian Embassy has announced the establishment of the Canadian Trade Office in Ho Chi Minh City. The office will provide commercial information and will also serve Canadian joint ventures and direct investment projects. Trade between Vietnam and Canada increased from $7.37 million in 1989 to almost $42 million last year. (Hanoi Voice of Vietnam 1000 GMT 13 Jun 94)

Indonesian Chemical Company Setting Up Joint Venture

The Indonesian chemical manufacturer Unggul Indah Corp. will produce ingredients for synthetic cleansing agents in Vietnam in anticipation of increased demand from the influx of foreign companies there. The firm will establish a $7.25-million joint venture called UIC Vietnam, through which it will import alkyl benzene produced in its Indonesia plant for the manufacture alkylbenzene sulfonate (a precursor for cleaners) in Vietnam. Some 30,000 tons will be produced annually starting this year. About half this amount is used in Vietnam at present, all imported from neighboring countries. More than 10 projects involving joint ventures with Indonesian companies have been approved by the Vietnamese Government to date. (Tokyo NIKKEI SANGYO SHIMBUN 12 Jun 94 p 3)

Construction of 'Largest' Rice Mill in Mekong Delta Completed

Tien Giang, the "largest" rice mill in the Mekong Delta, was recently completed. The mill's processing capacity is 150 metric tons of paddy a day. Equipment for the mill came from India. Tien Giang is a 20-year joint venture between the Tien Giang Insecticide Company and Agrocommodities Co of the French Orco group. Initial investment capital in the venture totals $3 million, with the two sides holding equal shares. (Hanoi NHAN DAN 4 May 95 p 1)